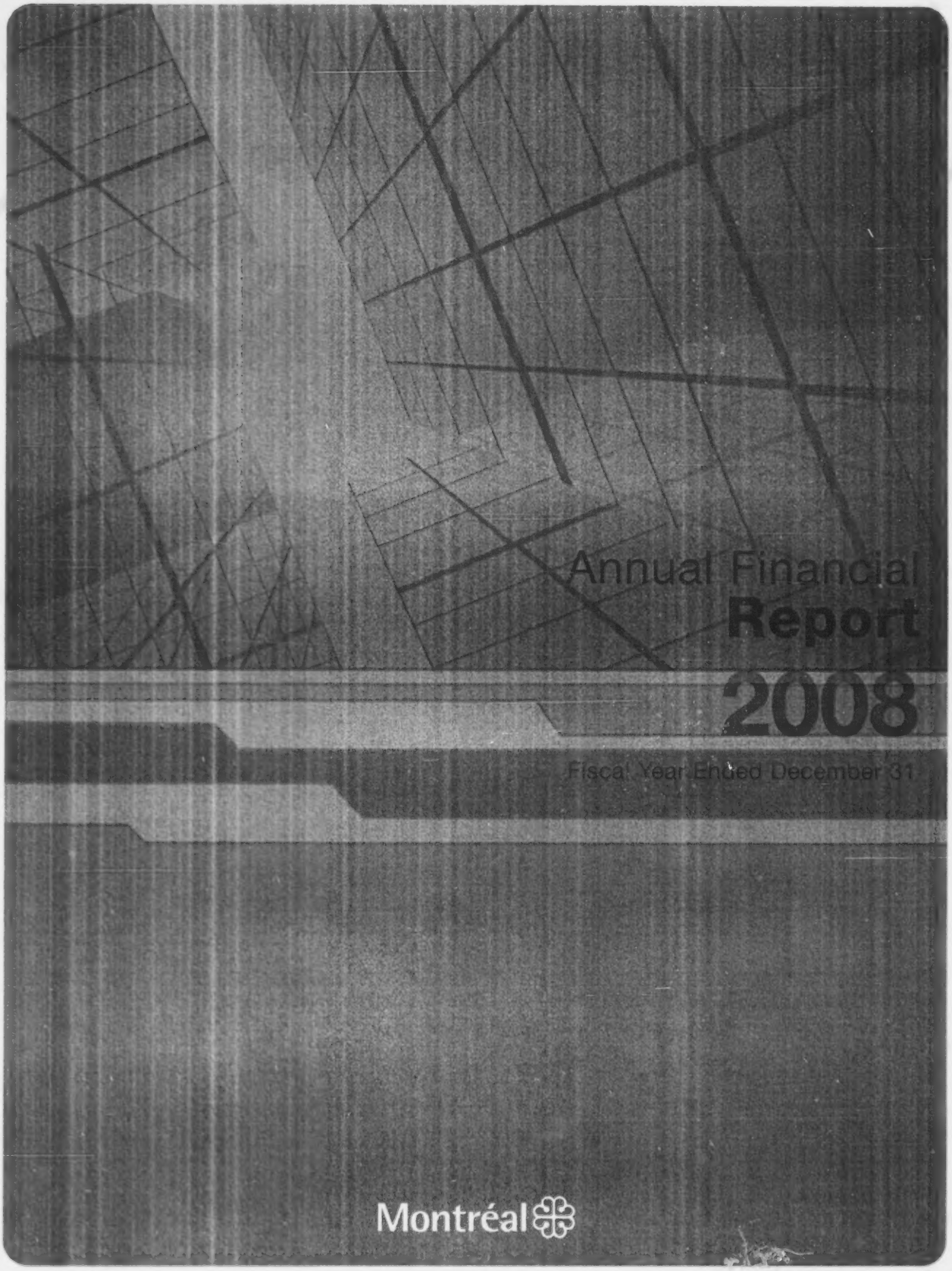
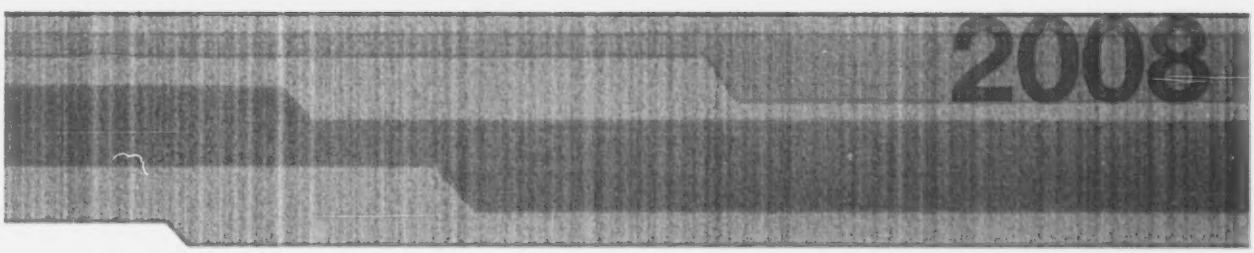

Annual Financial
Report
2008
Fiscal Year Ended December 31
Montréal

# Annual Financial Report




**VILLE DE MONTRÉAL**

**2008 annual financial report**
**Year ended December 31, 2008**

**Deposited at the City Clerk's Office of the Ville de Montréal**
**March 30, 2009**

Montréal

**Prepared by the Service des finances**
**Direction de la comptabilité et**
**du contrôle financier**

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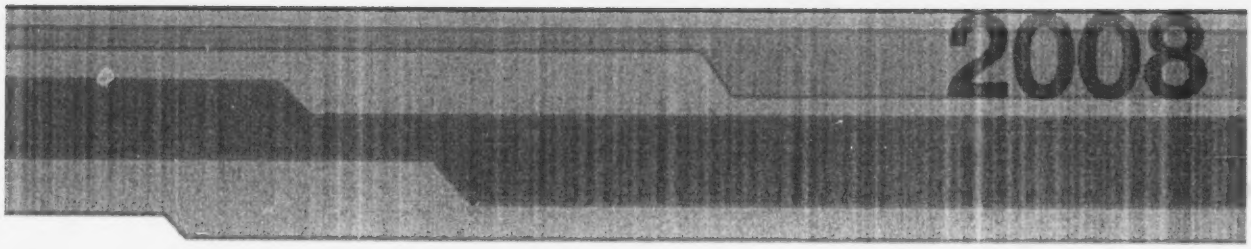
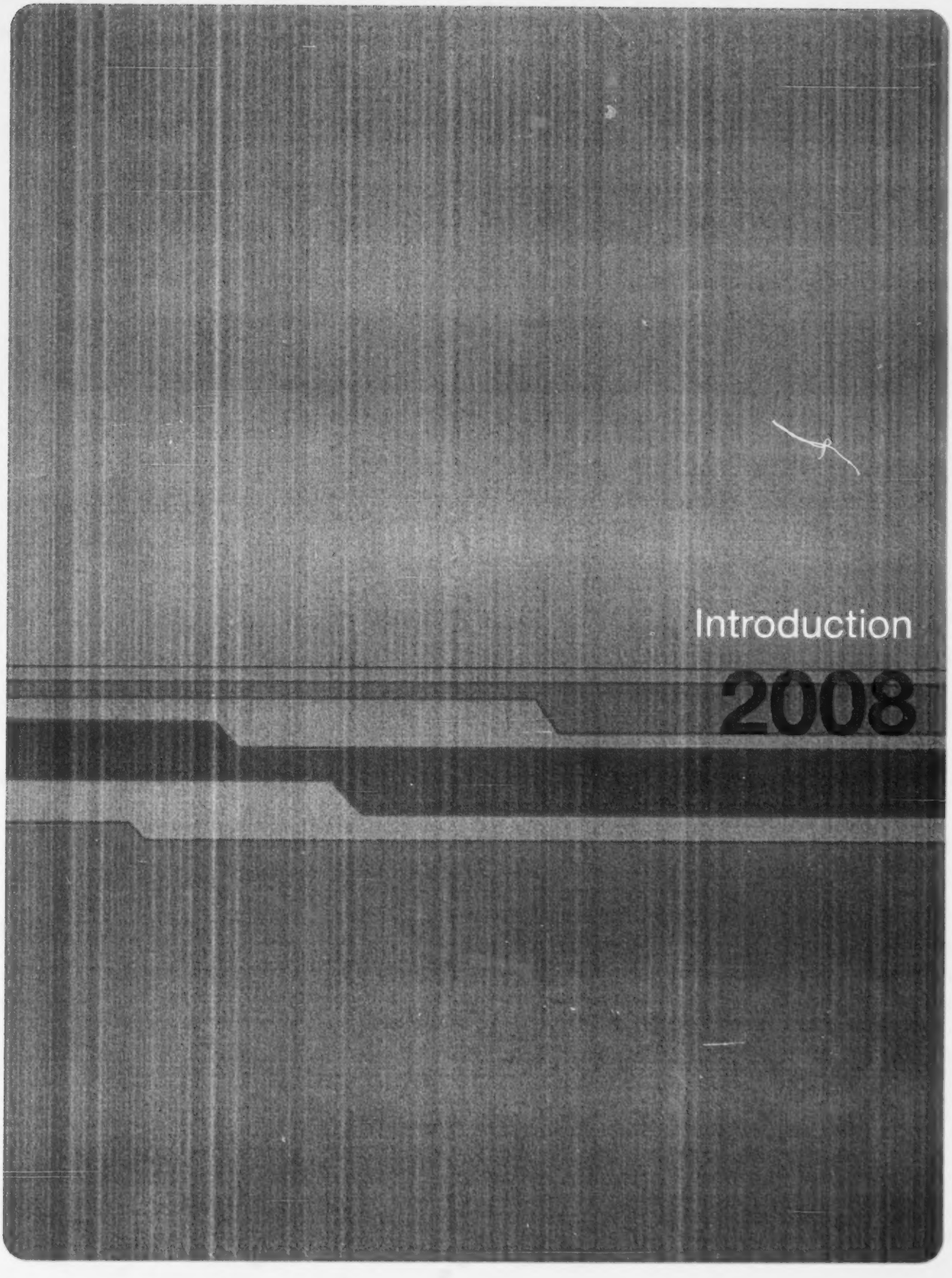



Introduction
2008

# MESSAGE FROM THE MAYOR, THE CHAIR OF THE EXECUTIVE COMMITTEE AND THE VICE-CHAIR OF THE EXECUTIVE COMMITTEE RESPONSIBLE FOR FINANCE

Dear Fellow Citizens,

Prudent and rigorous management of Montréal's public finance has borne fruit, as the 2008 Financial Statements once again illustrate.

The 2008 Financial Statements are consolidated and include the city's various reporting entities. If we exclude the latter, the city on its own concluded 2008 with a surplus of some $88 million dollars, or a bit more than 2% of the approximately $4 billion budget that had been adopted for this fiscal period. This surplus will be used to balance the 2009 Budget.

The 2008 surplus is largely due to savings in current activities and to the inflow of additional revenue, generated by taxes and property transfer fees at the beginning of the year when the real-estate market was still booming.

It should be noted that additional costs associated with snow removal operations at the start and the end of 2008 had an adverse impact on the period's results. Moreover, our decision to continue supporting the Société de transport de Montréal's efforts by allocating an additional contribution further explains the decline in this surplus from prior years.

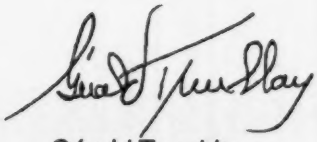
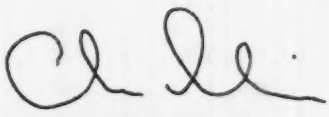
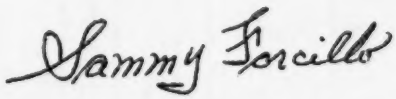
It is clear that the initial impact of the economic slowdown was felt in late 2008 and helped reduce the anticipated surplus. We must now act prudently and that is why in 2009 we have already adopted and implemented turnaround measures to help the city deal more effectively with the current economic and financial crisis.

In other respects, we are particularly encouraged by Standard & Poor's decision to maintain Montréal's credit rating at A+, in recognition of the clearly targeted actions that our Administration has been making for many years. Although credit on capital markets has been tightening for numerous borrowers, Standard & Poor's qualifies Montréal's long-term financial perspectives as "stable," which is quite positive in the current situation.

Our rigorous management of public funds and tight control over expenditures is yielding positive results. We can accordingly look forward to the future with confidence, to maintaining a high quality of service and to pursuing our infrastructure projects.

Finally, our Administration signed a historic agreement with the Government of Québec this year, officially conferring upon the city the status of "Metropolis of Québec," accompanied by the powers Montréal needs to diversify its sources of revenue. The adoption of An Act to amend various legislative provisions concerning the urban agglomeration of Montréal (S.Q. 2008, c.19)(Bill 22) will finally allow Montréal to assume its full role as Québec's leading city and economic powerhouse.

Since taking the helm in Montréal, our Administration has consistently deployed every effort to support our city's full development, and to provide the best deal for all residents. The current global economic situation is certainly troubling, but we are prepared to meet the challenge and to devote all our energy to that goal.

| Mayor of Montréal, | Chair of the Executive Committee, | Vice-Chair of the Executive Committee responsible for Finance, |
|---|---|---|
|  |  |  |
| Gérald Tremblay | Claude Dauphin | Sammy Forcillo, FCA |

# MESSAGE FROM THE DIRECTOR GENERAL AND THE TREASURER

Dear Fellow Citizens:

Montréal benefitted from great organizational stability in 2008. We continued to improve the quality of services provided to residents throughout the entire island, while maintaining tight control over public funds.

The 2008 Financial Statements, like those of 2007, present a consolidated version of the city's financial activities, including those of its reporting entities, such as the Société de transport de Montréal.

If we exclude these entities, the city alone ended 2008 with a surplus of nearly $88 million, or a bit more than 2% of the approximately $4 billion budget adopted for that fiscal period. This surplus results from such factors as savings generated in our current activities and few contingent expenditures. Low interest charges and good exchange rates also helped us generate substantial savings. This surplus is also due to additional revenues, such as taxes and property transfer fees. These revenues alone are responsible for a surplus of some $45 million over budget forecasts.

However, the additional cost of 2008 snow removal operations affected the period's results, resulting in a $92 million deficit for this item alone. Furthermore, the decision to allocate an additional $22 million contribution to the Société de transport de Montréal for support of public transit and active forms of transportation, reduced our end-of-year surplus by that same amount. These factors, combined with the initial impact of the economic slowdown that was first felt in late 2008, explain the level of last year's surplus.

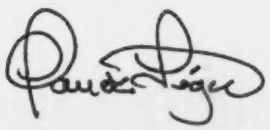
Montréal is still capable, however, of addressing existing challenges. Our sound debt management initiatives, accompanied by the deployment of new funding strategies and tools, have helped us achieve and maintain excellent credit ratings. In the current economic environment, this means the city is well positioned with respect to the financial markets.

The Administration's prudent choices over the past few years include the creation of funds earmarked for the funding of infrastructure has helped, for example, to reduce borrowing. The city's water and road funds have allowed us to make massive investments in infrastructure in 2008, just as we shall do in 2009.

Our rigorous management of public funds puts us in a better position to meet the challenges brought on by the worldwide recession. In 2009, we also adopted and implemented turnaround measures that will help us respond more effectively to the economic crisis. Montrealers should, accordingly, be reassured. Services to residents will not be affected and we will continue making investments essential to the metropolis' development, in terms of infrastructure and such major structuring projects as the Place du Quartier des spectacles.

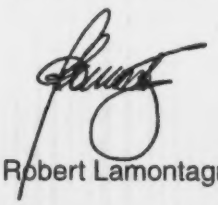
Such rigorous management requires teamwork. We would in particular like to thank city employees, who through their commitment and dedication are constantly striving to improve the well-being of residents. We are very grateful for their efforts.

Director General,



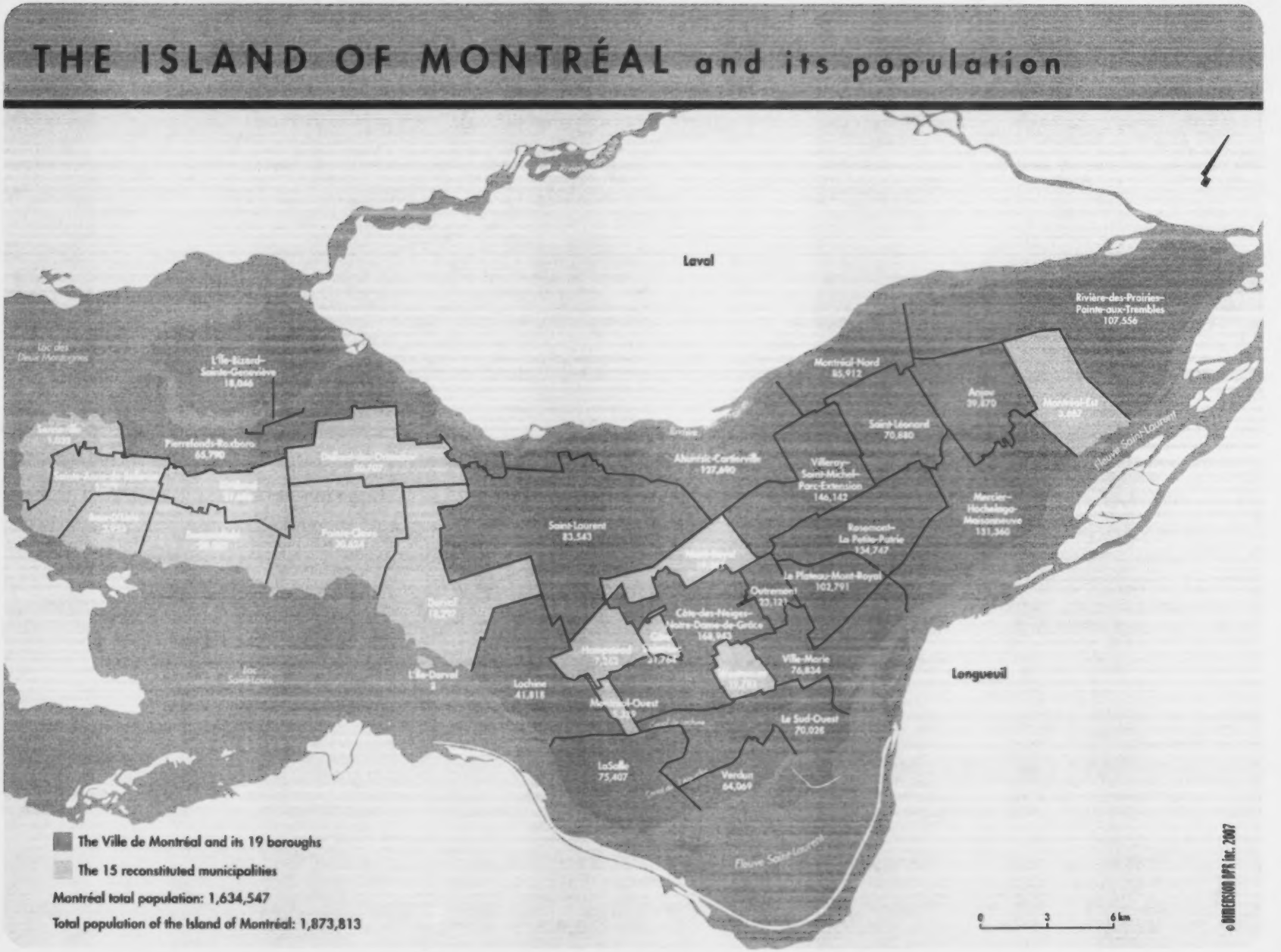
Claude Léger, Eng.

Principal Director of the Service des finances and Treasurer



Robert Lamontagne, CA, MBA

# THE ISLAND OF MONTRÉAL and its population

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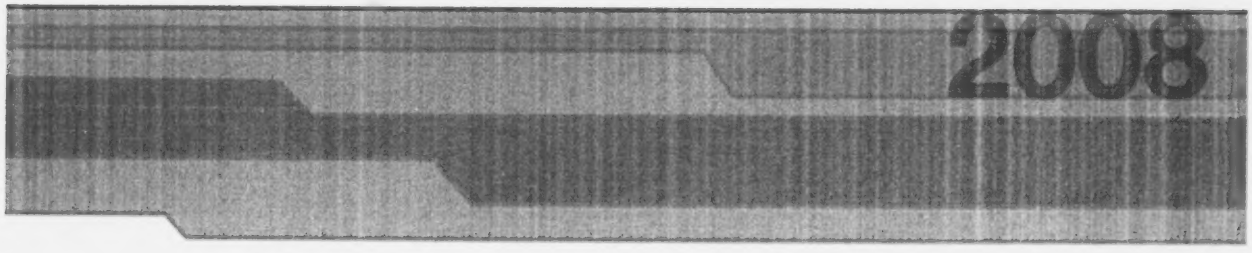
Annual Financial

# Report



# THE MUNICIPAL ORGANIZATION – 2008

The administration of the city is divided between the Urban Agglomeration Council and the City Council. The Act respecting the exercise of certain municipal powers in certain urban agglomerations gives Montréal the power to provide services and manage collective amenities for all island residents: which are urban agglomeration responsibilities. Added to these is the responsibility of the Ville de Montréal, inherent to all municipalities, to provide local services to residents throughout its territory.

**Urban Agglomeration Responsibilities**

The urban agglomeration responsibilities fall under the Urban Agglomeration Council. This entity has the authority to adopt any by-law, authorize any expenditure and levy any tax within its field of jurisdiction throughout the territory it serves, i.e. the Island of Montréal.

The municipalities are represented at the Urban Agglomeration Council, and their vote is proportional to their respective demographic weight. The mayor of Montréal presides over the Urban Agglomeration Council, which is made up of:

- Fifteen (15) elected officials from the Montréal City Council, who are appointed by the mayor.
- Fourteen (14) mayors representing the 15 reconstituted municipalities (L'Île-Dorval and Dorval have one representative).
- One (1) additional representative for Dollard-Des Ormeaux, named by the mayor of this municipality.

As the central city within the agglomeration, Montréal is responsible for delivering common services to citizens of all the municipalities, equitably, and with an eye to managing public funds. These services include:

- Security: police, fire department and 9-1-1
- Water management, except local conduits
- Public transit
- Solid waste management plan
- Management of streets and arterial roads on the island
- Property assessment
- Economic promotion
- Municipal court

Costs for these services are covered by the income generated by the urban agglomeration tax, or common tax, paid by all Island of Montréal residents.

## Local Responsibilities

Montréal is also responsible for local powers within the city. These responsibilities are shared by two decision-making bodies: the City Council and borough councils.

The City Council, which is made up of the mayor of Montréal and 65 city councillors, is responsible for:

- Adopting the urban plan which defines the city's key development orientations.
- Adopting the annual budget and Three-Year Capital Works Program.
- Managing various municipal organizations, including the Conseil interculturel, Conseil du patrimoine and Office de consultation publique.

The 19 borough councils, which are made up of at least five councillors each, including the borough mayor, are responsible for local services, including:

- The Urban Planning By-law
- Local economic, community and social development
- Local cultural and recreational facilities
- Local parks
- Local road management
- Cleanliness

The cost of local services provided on Montréal territory is covered using revenue from local property taxes, which are paid by all Montréal taxpayers. In some cases, taxpayers in a given borough may, according to decisions by their borough council, be required to pay a borough tax for local services.

## Financial Statements and Governance

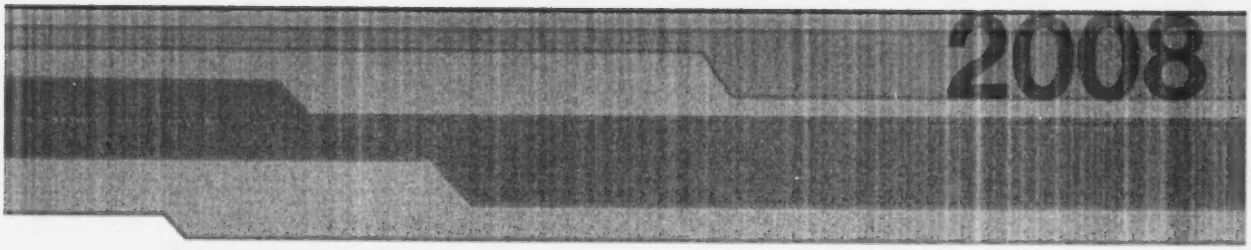
Pursuant to the Act respecting the exercise of certain municipal powers in certain urban agglomerations, all Ville de Montréal expenditures and income must be accounted for and distributed according to the governance structure, i.e. between the Urban Agglomeration Council budget and the City Council budget. With this type of governance, Montréal, as the central city within the urban agglomeration, is a key player in managing services provided to Island of Montréal residents.

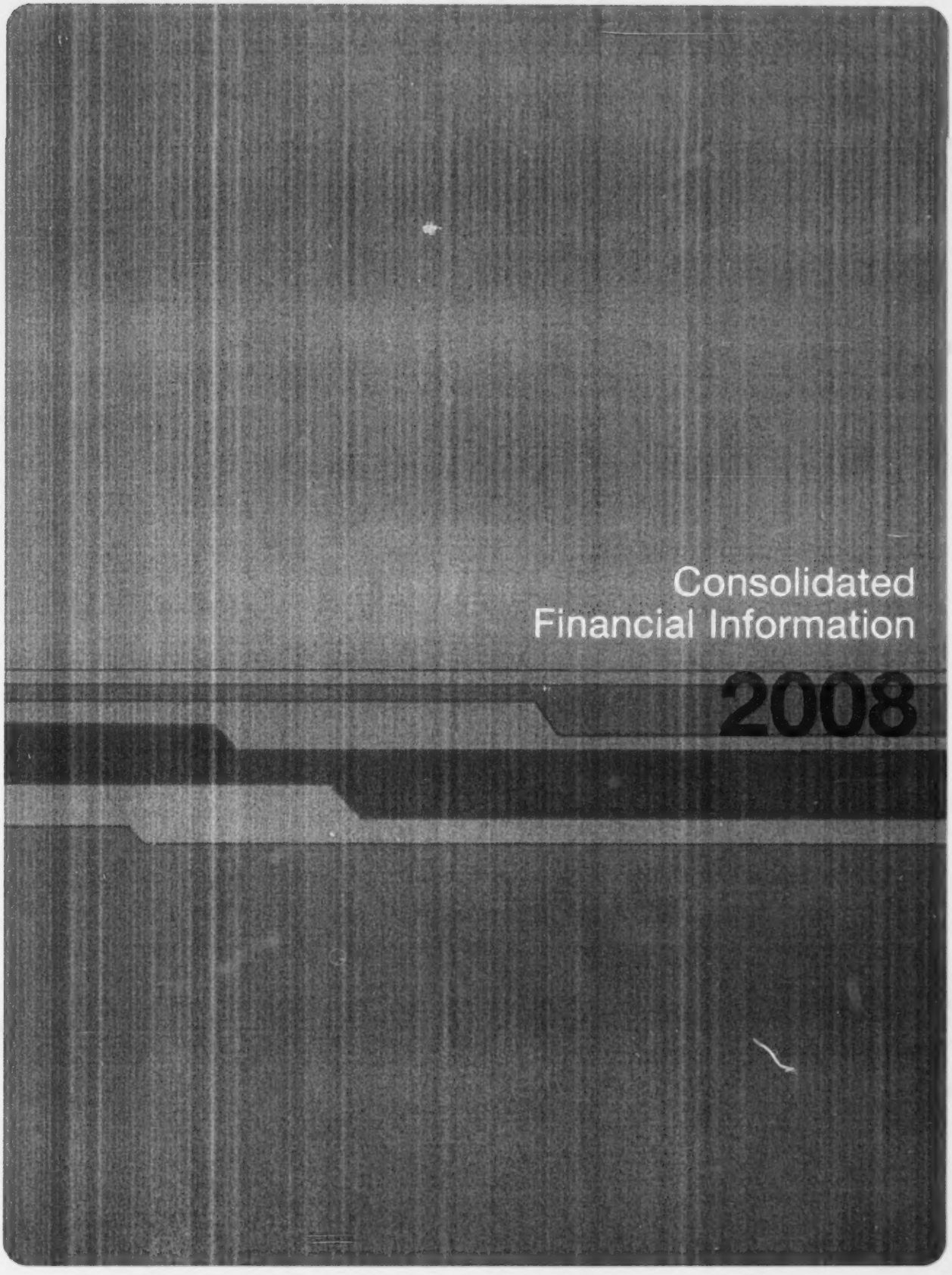
As mentioned, the Act respecting the consultation of citizens with respect to the territorial reorganization of certain municipalities and the Act respecting the exercise of certain municipal powers in certain agglomerations and their amendments stipulate that the powers to manage the Ville de Montréal are shared among urban agglomeration and local responsibilities. Montréal, as the central city, provides services and manages common facilities for all Island of Montréal residents, both within its territory and that of the 15 reconstituted municipalities. Common services are provided by Ville de Montréal employees.

**Changes in Effect as of January 1, 2009**

In June 2008, the National Assembly of Québec adopted the Act to amend various legislative powers concerning Montréal (S.Q. 2008, chap. 19). This act amends, as of January 1, 2009, the governance of Montréal by introducing a new distribution of responsibilities between the central city and the urban agglomeration, and by implementing a new aliquot share system in lieu of the urban agglomeration tax. The amendments had an impact on the 2009 Budget and will also affect the 2009 financial statements. Elements under the Urban Agglomeration Council responsibility were reviewed. These include activities relating to arterial roads, which are now under local responsibility, except for the determination of city-wide standards for management, harmonization, overall network planning and oversight of certain repairs that remain under urban agglomeration responsibility. Additionally, several elements were removed from the list of equipment, infrastructure and activities of common interest, as an appendix to the Décret concernant l'agglomération de Montréal, including certain large parks, cultural facilities, celebrations and festivals.

# Annual Financial Report




Consolidated
Financial Information
2008

## Management Responsibility for Financial Reporting

The consolidated financial statements in this report have been prepared in accordance with generally accepted accounting principles applicable to local governments and recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, as described in Note 2 of the consolidated financial statements.

The consolidated financial statements and all other information in this annual financial report are the responsibility of management. Management has also ensured consistency between the consolidated financial statements and all other information disclosed in the annual financial report.

To assess certain facts and operations, management has made estimates based on its best judgment of the situation and by taking into account materiality.

Management is responsible for maintaining appropriate internal control and accounting systems that provide reasonable assurance that the city's policies are adopted, that its operations are carried out in accordance with the appropriate laws and authorizations, that its assets are adequately safeguarded, and that the consolidated financial statements are based on reliable accounting records.

The city's powers and responsibilities are exercised either by the Urban Agglomeration Council, the City Council, or by the borough councils.

The Audit Committee is made up of seven members, two of which are members of the council representing the reconstituted municipalities and two are external members. Its responsibilities include overseeing financial reporting and presentation procedures, which includes reviewing the consolidated financial statement and other information contained in this annual financial report.

The General Auditor of Montréal and the external auditors, Samson Bélair/Deloitte & Touche s.e.n.c.r.l., have audited the consolidated financial statements and presented the following reports.

Robert Lamontagne, CA, MBA
Senior Director and Treasurer

Claude Léger, Eng.
Director General

Montréal, March 18, 2009

Montréal

**Bureau du vérificateur général**
1550, rue Metcalfe
Bureau 1201
Montréal (Québec) H3A 3P1

## REPORT OF THE GENERAL AUDITOR OF MONTRÉAL

To the Mayor,
the Chairman and the Members of the Executive Committee,
the Members of the Council of the Ville de Montréal,
the Members of the Montréal Agglomeration Council

I have audited the consolidated statement of financial position of Ville de Montréal (the City) as at December 31, 2008 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the City's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2008 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

General Auditor of Montréal,

Michel Doyon, CA auditor

Montréal, March 18, 2009

Deloitte.

**Samson Bélair/Deloitte & Touche s.e.n.c.r.l.**
1 Place Ville Marie
Suite 3000
Montréal QC H3B 4T9
Canada

Tel: 514-393-7115
Fax: 514-390-4111
www.deloitte.ca

## External auditors' report

To the Mayor,
the Chairman and the Members of the Executive Committee,
the Members of the Council of Ville de Montréal,
the Members of the Montréal Agglomeration Council

We have audited the consolidated statement of financial position of Ville de Montréal ("the City") as at December 31, 2008 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2008 and the results of its operations and the changes in its financial position for the year then ended in accordance with the Canadian generally accepted accounting principles.

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.[1]

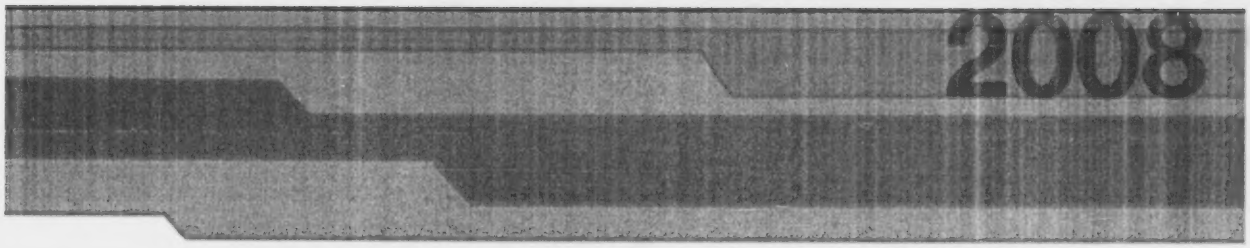
March 18, 2009

[1] Chartered accountant auditor permit no 18190



Member of
Deloitte Touche Tohmatsu

Annual Financial
**Report**



## Consolidated Statement of Financial Position
As at December 31, 2008

| | Note | 2008 | 2007 |
|---|---|---|---|
| | | *(in thousands of dollars)* | |
| **FINANCIAL ASSETS** | | | |
| Cash and temporary investments | 3 | 747,422 | 715,591 |
| Investments | 3 | 1,268,418 | 1,236,229 |
| Accounts receivable | 4 | 2,550,801 | 2,473,716 |
| Assets held for sale | | 5,120 | 4,780 |
| Loans | 5 | 45,170 | 30,314 |
| | | 4,616,931 | 4,460,630 |
| **NON-FINANCIAL ASSETS** | | | |
| Capital assets | 6 | 8,077,487 | 7,540,452 |
| Assets held for sale | | 110,328 | 87,494 |
| Inventories | | 59,909 | 51,637 |
| Other non-financial assets | 7 | 52,218 | 46,316 |
| | | 8,299,942 | 7,725,899 |
| | | 12,916,873 | 12,186,529 |
| **LIABILITIES** | | | |
| Temporary loans | 8 | 318,154 | 113,140 |
| Accounts payable, provisions and accrued liabilities | 9 | 1,405,723 | 1,248,183 |
| Deferred revenues | 10 | 138,569 | 142,254 |
| Long-term debt | 11 | 7,638,384 | 7,600,313 |
| Employee future benefits liability | 12 | 420,662 | 288,039 |
| | | 9,921,492 | 9,391,929 |
| **TAXPAYERS' EQUITY** | | | |
| Fund balances | | | |
| Unrestricted surplus | | 66,098 | 93,629 |
| Restricted surplus | | 237,242 | 256,870 |
| Financial reserves and reserved funds | | (206,397) | (62,068) |
| Amount to be funded in the future | | (1,593,857) | (1,621,077) |
| | | (1,496,914) | (1,332,646) |
| Net investment in capital assets | 13 | 4,492,295 | 4,127,246 |
| | | 2,995,381 | 2,794,600 |
| Commitments and contingencies | 17 | | |
| | | 12,916,873 | 12,186,529 |

See the accompanying notes and schedules.

## Consolidated Statement of Financial Activities
Year ended December 31, 2008

*(in thousands of dollars)*

| | Note | 2008 | | 2007 |
|---|---|---|---|---|
| | | Budget | Actual | Actual |
| **Revenues** | | | | |
| Taxes | | 2,659,433 | 2,676,072 | 2,597,439 |
| Payments in lieu of taxes | | 241,970 | 226,028 | 242,893 |
| Transfers | 14 | 952,785 | 627,512 | 780,803 |
| Services rendered | | 722,037 | 791,002 | 702,520 |
| Fee collection | | 104,532 | 128,609 | 132,202 |
| Fines and penalties | | 202,839 | 158,632 | 155,708 |
| Interest | 15 | 123,780 | 125,015 | 137,459 |
| Other revenues | | 97,544 | 171,236 | 176,322 |
| | | 5,104,920 | 4,904,106 | 4,925,346 |
| **Operating and capital expenditures** | | | | |
| General administration | | 631,928 | 517,078 | 504,913 |
| Public safety | | 888,716 | 917,453 | 865,685 |
| Transportation | | 2,113,024 | 1,888,522 | 1,571,092 |
| Environmental health | | 649,626 | 527,327 | 457,991 |
| Health and welfare | | 107,512 | 129,082 | 152,201 |
| Urban planning and development | | 265,914 | 237,216 | 214,636 |
| Recreation and culture | | 587,046 | 561,309 | 504,007 |
| Financing expenses | | 415,784 | 455,990 | 427,837 |
| | | 5,659,550 | 5,233,977 | 4,698,362 |
| **Surplus (deficit) for the year** | | (554,630) | (329,871) | 226,984 |
| **Financing** | | | | |
| Long-term financing of capital asset financial activities | | 785,893 | 567,145 | 554,191 |
| Repayment of long-term debt | | (388,089) | (401,542) | (378,279) |
| | | 397,804 | 165,603 | 175,912 |
| **Change in funds for the year** | | (156,826) | (164,268) | 402,896 |
| **Fund balances at beginning of year** | | | (1,332,646) | (1,735,542) |
| **Fund balances at end of year** | | | (1,496,914) | (1,332,646) |

See the accompanying notes and schedules.

## Consolidated Statement of Changes in Financial Position
Year ended December 31, 2008

| | *(in thousands of dollars)* | |
|---|---|---|
| | **2008** | **2007** |
| **Financial activities** | | |
| Surplus (deficit) for the year | **(329,871)** | 226,984 |
| Items not affecting cash and cash equivalents | **(3,682)** | (23,607) |
| | **(333,553)** | 203,377 |
| Change in non-cash items | | |
| Accounts receivable | **(58,578)** | (303,216) |
| Loans | **(14,856)** | (21,749) |
| Assets held for sale | **(23,174)** | (2,377) |
| Inventories | **(8,272)** | (1,589) |
| Other non-financial assets | **(5,902)** | (100) |
| Accounts payable, provisions and accrued liabilities | **157,540** | 117,294 |
| Deferred revenues | **2,867** | (1,135) |
| Employee future benefits liability | **132,623** | 53,798 |
| | **(151,305)** | 44,303 |
| **Investing activities** | | |
| Acquisition of investments | **(289,435)** | (264,255) |
| Sale of investments | **257,246** | 333,079 |
| | **(32,189)** | 68,824 |
| **Financing activities** | | |
| Proceeds from long-term debt | **815,235** | 892,769 |
| Repayment of long-term debt, net of refinancings | **(609,080)** | (630,465) |
| Bond redemption by refinancing | **(195,844)** | (92,002) |
| | **10,311** | 170,302 |
| **Net change in cash and cash equivalents** | **(173,183)** | 283,429 |
| **Cash and cash equivalents at beginning of year** | **602,451** | 319,022 |
| **Cash and cash equivalents at end of year** | **429,268** | 602,451 |

Cash and cash equivalents consist of cash, temporary investments and temporary loans.

See the accompanying notes and schedules.

## Schedule 1 – Consolidated Operating Financial Activities
Year ended December 31, 2008

*(in thousands of dollars)*

| | 2008 | | 2007 |
|---|---|---|---|
| | Budget | Actual | Actual |
| **Revenues** | | | |
| Taxes | 2,659,433 | 2,676,072 | 2,597,439 |
| Payments in lieu of taxes | 241,970 | 226,028 | 242,893 |
| Transfers | 443,997 | 368,065 | 391,631 |
| Services rendered | 722,037 | 791,002 | 702,520 |
| Fee collection | 104,532 | 128,609 | 132,202 |
| Fines and penalties | 202,839 | 158,632 | 155,708 |
| Interest | 123,780 | 125,015 | 137,459 |
| Other revenues | 90,913 | 162,406 | 159,894 |
| | 4,589,501 | 4,635,829 | 4,519,746 |
| **Operating expenditures** | | | |
| General administration | 562,410 | 463,887 | 454,706 |
| Public safety | 854,870 | 879,946 | 830,115 |
| Transportation | 1,288,646 | 1,282,898 | 1,139,545 |
| Environmental health | 397,841 | 361,182 | 342,084 |
| Health and welfare | 107,512 | 122,378 | 148,613 |
| Urban planning and development | 174,234 | 148,590 | 160,033 |
| Recreation and culture | 425,405 | 442,877 | 425,398 |
| Financing expenses | 415,784 | 455,990 | 427,837 |
| | 4,226,702 | 4,157,748 | 3,928,331 |
| **Surplus for the year** | 362,799 | 478,081 | 591,415 |
| **Financing** | | | |
| Repayment of long-term debt | (388,089) | (401,542) | (378,279) |
| **Appropriations** | | | |
| Capital asset financial activities | (32,538) | (29,035) | (87,662) |
| Unrestricted surplus | | | (13,403) |
| Restricted surplus | 56,645 | 133,525 | 81,133 |
| Financial reserves and reserved funds | | (63,558) | (43,919) |
| Amount to be funded in the future | 1,183 | (27,220) | (56,717) |
| | 25,290 | 13,712 | (120,568) |
| **Change in fund balances from the year's operating financial activities** | | 90,251 | 92,568 |

See the accompanying notes and schedules.

## Schedule 2 – Consolidated Capital Asset Financial Activities

Year ended December 31, 2008

*(in thousands of dollars)*

| | 2008 | | 2007 |
|---|---|---|---|
| | Budget | Actual | Actual |
| **Revenues** | | | |
| Transfers | 508,788 | 259,447 | 389,172 |
| Other revenues | | | |
| Developers' contributions | 6,631 | 7,345 | 12,519 |
| Other | | 1,485 | 3,909 |
| | 515,419 | 268,277 | 405,600 |
| **Capital expenditures** | | | |
| General administration | 69,518 | 53,191 | 50,207 |
| Public safety | 33,846 | 37,507 | 35,570 |
| Transportation | 824,378 | 605,624 | 431,547 |
| Environmental health | 251,785 | 166,145 | 115,907 |
| Health and welfare | | 6,704 | 3,588 |
| Urban planning and development | 91,680 | 88,626 | 54,603 |
| Recreation and culture | 161,641 | 118,432 | 78,609 |
| | 1,432,848 | 1,076,229 | 770,031 |
| **Deficit for the year** | (917,429) | (807,952) | (364,431) |
| **Financing** | | | |
| Long-term financing of capital asset financial activities | 785,893 | 567,145 | 554,191 |
| **Appropriations** | | | |
| Operating financial activities | 32,538 | 29,035 | 87,662 |
| Unrestricted surplus | | | (118) |
| Restricted surplus | 57,424 | 4,181 | 4,488 |
| Financial reserves and reserved funds | 41,574 | 29,467 | 28,574 |
| | 131,536 | 62,683 | 120,606 |
| **Change in fund balances from the year's capital asset financial activities** | | (178,124) | 310,366 |

See the accompanying notes and schedules.

## Schedule 3 – Consolidated Unrestricted Surplus

Year ended December 31, 2008

*(in thousands of dollars)*

| | Transfer from | Transfer to | Balance |
|---|---|---|---|
| **Local responsibilities** | | | |
| Balance as at December 31, 2007 | | | **102,479** |
| Appropriation – Restricted surplus | | 124,024 | **(124,024)** |
| Change in fund balances from the year's operating financial activities | 113,277 | | **113,277** |
| **Balance as at December 31, 2008** | 113,277 | 124,024 | **91,732** |
| **Urban agglomeration responsibilities** | | | |
| Balance as at December 31, 2007 | | | **(8,850)** |
| Appropriation – Restricted surplus | 10,302 | 4,060 | **6,242** |
| Change in fund balances from the year's operating financial activities | (23,026) | | **(23,026)** |
| **Balance as at December 31, 2008** | (12,724) | 4,060 | **(25,634)** |
| **UNRESTRICTED SURPLUS – Balance as at December 31, 2008** | 100,553 | 128,084 | **66,098** |

See the accompanying notes and schedules.

## Schedule 4 – Consolidated Restricted Surplus
Year ended December 31, 2008

*(in thousands of dollars)*

| | Transfer from | Transfer to | Balance |
|---|---|---|---|
| **Local responsibilities** | | | |
| Balance as at December 31, 2007 | | | **162,177** |
| Appropriation – Operating financial activities | | 96,761 | **(96,761)** |
| Appropriation – Capital asset financial activities | | 4,253 | **(4,253)** |
| Appropriation – Unrestricted surplus | 124,024 | 6 | **124,018** |
| Appropriation – Financial reserves and reserved funds | 296 | | **296** |
| **Balance as at December 31, 2008** | 124,320 | 101,020 | **185,477** |
| **Urban agglomeration responsibilities** | | | |
| Balance as at December 31, 2007 | | | **94,693** |
| Appropriation – Operating financial activities | | 36,764 | **(36,764)** |
| Appropriation – Capital asset financial activities | | (72) | **72** |
| Appropriation – Unrestricted surplus | 4,066 | 10,302 | **(6,236)** |
| **Balance as at December 31, 2008** | 4,066 | 46,994 | **51,765** |
| **RESTRICTED SURPLUS – Balance as at December 31, 2008** | 128,386 | 148,014 | **237,242** |

See the accompanying notes and schedules.

## Schedule 5 – Consolidated Financial Reserves and Reserved Funds

Year ended December 31, 2008

*(in thousands of dollars)*

| | Balance as at 31/12/2007 | Financial Activities – Operating: Transfer from | Financial Activities – Operating: Transfer to | Financial Activities – Capital Asset: Transfer from | Financial Activities – Capital Asset: Transfer to | Balance as at 31/12/2008 |
|---|---|---|---|---|---|---|
| **FINANCIAL RESERVES** | | | | | | |
| **Local responsibilities** | | | | | | |
| Water management | 9,154 | 46,569 | 39,656 | | 33 | **16,034** |
| **Urban agglomeration responsibilities** | | | | | | |
| Water management | 42,607 | 62,451 | 23,318 | | 22,225 | **59,515** |
| Road management | 8,815 | 19,774 | 7,582 | | 4,776 | **16,231** |
| | 51,422 | 82,225 | 30,900 | | 27,001 | **75,746** |
| | 60,576 | 128,794 | 70,556 | | 27,034 | **91,780** |
| **RESERVED FUNDS** | | | | | | |
| **Local responsibilities** | | | | | | |
| Parks and playing fields | 10,459 | 3,801 | 427 | | 2,250 | **11,583** |
| Financing of capital expenditures | (106,927) | | | (27,699) | | **(134,626)** |
| Balance of closed-loan by-laws | 5,309 | | 296 | | | **5,013** |
| Parking areas | 3,246 | 525 | 36 | | 51 | **3,684** |
| Working capital | 3,800 | 62 | | | 132 | **3,730** |
| Land reserve funds | 1,934 | | | | | **1,934** |
| Securities issuance costs | 962 | | | | | **962** |
| Other | 363 | 19 | | | | **382** |
| | (80,854) | 4,407 | 759 | (27,699) | 2,433 | **(107,338)** |
| **Urban agglomeration responsibilities** | | | | | | |
| Financing of capital expenditures | (45,023) | | | (150,425) | (1,073) | **(194,375)** |
| Balance of closed-loan by-laws | 1,196 | | | (1,073) | | **123** |
| Working capital | 2,037 | 1,376 | | | | **3,413** |
| | (41,790) | 1,376 | | (151,498) | (1,073) | **(190,839)** |
| | (122,644) | 5,783 | 759 | (179,197) | 1,360 | **(298,177)** |
| **FINANCIAL RESERVES AND RESERVED FUNDS** | (62,068) | 134,577 | 71,315 | (179,197) | 28,394 | **(206,397)** |

See the accompanying notes and schedules.

## Schedule 6 – Consolidated Amount To Be Funded in the Future

Year ended December 31, 2008

*(in thousands of dollars)*

| | Balance as at 31/12/2007 | Add | Deduct | Balance as at 31/12/2008 |
|---|---|---|---|---|
| Transitional measures of January 1, 2000 | | | | |
| Accrued interest | (2,223) | | 2,223 | |
| Employee benefits | (46,493) | | 6,566 | (39,927) |
| | (48,716) | | 8,789 | (39,927) |
| Employee future benefits | | | | |
| Pension plan | (65,529) | (78,397) | 12,777 | (131,149) |
| Other plans | (197,554) | | | (197,554) |
| | (263,083) | (78,397) | 12,777 | (328,703) |
| Long-term financing of operating activities | (1,309,278) | (15,685) | 99,736 | (1,225,227) |
| **AMOUNT TO BE FUNDED IN THE FUTURE** | (1,621,077) | (94,082) | 121,302 | (1,593,857) |

See the accompanying notes and schedules.

# Notes and Schedules to the Consolidated Financial Statements
December 31, 2008

## 1- GOVERNING STATUTE

Ville de Montréal (the City) is a municipal corporation incorporated on January 1, 2002 under the *Charter of the City of Montréal* (R.S.Q., chapter C-11.4).

On January 1, 2006, following the results of a referendum held in 2004 under *An Act regarding public consultation on the territorial reorganization of certain municipalities* (S.Q. 2003, chapter 14), the former municipalities of Baie-d'Urfé, Beaconsfield, Côte-Saint-Luc, Dollard-Des-Ormeaux, Dorval, Hampstead, Kirkland, Île-Dorval, Montréal-Est, Montréal-Ouest, Ville Mont-Royal, Pointe-Claire, Sainte-Anne-de-Bellevue, Village de Senneville and Westmount were reconstituted. As a result, Ville de Montréal now consists of 19 remaining boroughs that comprise 87% of the total population of the island of Montréal. In accordance with the provisions of this Act, all municipalities located on the island of Montréal, however, remain related to one another and form an agglomeration consistent with the territory of Ville de Montréal as it existed on December 31, 2005.

*An Act respecting the exercise of certain municipal powers in certain urban agglomerations* (R.S.Q., chapter E-20.001), completed by the *Montréal Agglomeration Order* (Order-in-Council No. 1229-2005), and its amendments lists and defines the powers of the urban agglomeration of Montréal. Under this Act, Ville de Montréal is the central municipality in charge of exercising, in addition to its local powers, the powers of the agglomeration.

The agglomeration is headed by an urban agglomeration council, a political and decision-making body vested with decision-making powers on taxation and rate-setting for agglomeration services. The urban agglomeration council is a central municipal legislative body, separate from city council under Section 14 of the *Charter of the City of Montréal*. It is made up of representatives of each related municipality, with the number of representatives of each municipality being determined proportionately to the relative size of their populations.

In 2008, the adoption of *An Act to amend various legislative provisions concerning the urban agglomeration of Montréal* (R.S.Q., chapter 19) particularly affected the urban agglomeration council's exclusive jurisdiction over the arterial road system. Under this Act, as of January 1, 2009, ownership of this road system is returned to the reconstituted municipalities with respect to the roads located on their territories. In addition, any debts on work carried out on the road system by Ville de Montréal between January 1, 2006 and December 31, 2008 will be financed by a share required from the related municipalities with respect to the territory on which the work is carried out. A valuation of the net carrying value of the arterial road system returned to the reconstituted municipalities and of the debt associated with work carried out on the territory of these municipalities between January 1, 2006 and December 31, 2008 has not been completed; it is therefore not possible to estimate the resulting impact on the City's Consolidated Statement of Financial Position.

## 2- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to local governments and recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

The term "City" as used in the notes, schedules, and segment disclosures refers to the entity made up of Ville de Montréal and the organizations under its control. The term "municipal administration" refers to Ville de Montréal excluding the organizations under its control.

The significant accounting policies are as follows:

### a) Principles of consolidation

The consolidated financial statements include the accounts of the City and of the organizations under its control. These organizations include the Société de transport de Montréal, the Société d'habitation et de développement de Montréal, the Montréal Technoparc (formerly the Saint-Laurent Technoparc), the Société du parc Jean-Drapeau, the Conseil des arts de Montréal, the Conseil interculturel de Montréal, the Office de consultation publique de Montréal, the Société de gestion NauBerges de Lachine, and Anjou 80. Transactions concluded between these organizations and reciprocal balances are eliminated.

### b) Accounting method

Transactions are recorded in the City's books using the accrual basis of accounting. Under this method, assets, liabilities, revenues and expenditures are recognized in the year in which the events and transactions occur.

## 2- SIGNIFICANT ACCOUNTING POLICIES (continued)

### c) Use of estimates

Preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make assumptions and estimates that affect the reported amounts of revenues, expenditures, assets, liabilities, and commitments and contingencies. Actual results could differ from these estimates.

The main estimates made relate to the following items: the allowance for doubtful accounts, the net realizable values of assets held for sale, the estimated useful lives of capital assets, provisions for landfill closure and post-closure costs, contested valuations and other provisions, and actuarial assumptions for establishing employee future benefit costs and obligations.

### d) Investments

Temporary investments are recorded at the lower of cost and fair value.

Other investments are recorded at cost and written down when there is a permanent decline in value. Discounts or premiums on investments are amortized on a straight-line basis until maturity. Amounts accumulated in "Investments – Sinking Fund" are restricted to the repayment of long-term loans that do not require annual repayment.

### e) Assets held for sale

Assets held for sale are recorded at the lower of cost and net realizable value. The portion of these assets held for selling purposes for the subsequent year is presented in financial assets.

### f) Loans

Loans are presented at cost. Loans with significant concessionary terms are presented at face value discounted by the amount of the grant portion. The discount is amortized over the term of the loan using the effective interest method.

### g) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over the following useful lives:

| | |
|---|---|
| Infrastructures | 15 to 40 years |
| Metro system | 25 to 100 years |
| Buildings | 25 to 40 years |
| Leasehold improvements | 5 to 15 years |
| Vehicles | 5 to 20 years |
| Office furniture and equipment | 5 to 10 years |
| Machinery, tools and equipment | 5 to 25 years |
| Other | 20 to 25 years |

Amortization is applied against the net investment in capital assets.

### h) Inventories

Inventories are recorded at cost, which is determined using the average cost method. Obsolete inventory is written off.

**2- SIGNIFICANT ACCOUNTING POLICIES (continued)**

**i) Other non-financial assets**

Securities issuance costs are amortized on a straight-line basis over the terms of the related borrowings.

**j) Provision for contested valuations**

The provision for contested valuations is an estimate of refunds (both principal and interest) that may result from court decisions on contested real estate valuations or rental values and on contested classifications under the *Act respecting Municipal Taxation*.

**k) Deferred revenues**

Premiums on the issuance of securities are amortized over the terms of the related loans, and the deferred revenues resulting from the sale of a concession are amortized on a straight-line basis over the term of the agreement. Unrealized net foreign exchange gains are amortized using the method described in Note 2 u).

**l) Restricted surplus**

Restricted surplus is the portion of the surplus whose use is reserved under the *Act to reform the municipal territorial organization of the metropolitan regions of Montréal, Québec and Outaouais* (2000, chapter 56), under the *Charter of the City of Montréal*, or under resolutions adopted by the city council, the urban agglomeration council and the borough councils.

**m) Financial reserves and reserved funds**

Certain amounts received by the City must be recorded in special accounts and used for specific purposes. These purposes include, in particular, the development and maintenance of parks, playing fields and parking areas; the provision of water and road services; and the acquisition of capital assets. The balances related to the financing of capital expenditures are presented in reserved funds.

**n) Amount to be funded in the future**

The amount to be funded in the future is the net balance of operating expenditures recognized in the Statement of Financial Activities that will be taxed in the future. Except for the balance related to the initial obligation as of January 1, 2007 for other retirement benefits and other post-employment employee future benefits, this amount will be transferred by allocating it to the Statement of Financial Activities over estimated periods through to 2045. The amount to be funded in the future results from the following:

- the application of transitional measures related to accounting policy changes made in 2000 (amortization over an estimated period through to 2020)

- the initial employee future benefits obligation (amortization of the pension plan obligations over an estimated period through to 2017)

- the long-term financing of certain operating expenditures, essentially related to the 2003 and 2005 refinancing of notarized deeds relating to certain pension plans (amortization over an estimated period through to 2045).

**o) Net investment in capital assets**

The net investment in capital assets is equal to the net carrying value of capital assets, minus the debt portion related to these assets and the related unrealized net foreign exchange gains, plus Sinking Fund investments that have accrued to repay the debt and the receivables amount to be collected from third parties for said repayment.

**p) Transfer revenues**

Transfer revenues are recorded in the Statement of Financial Activities when the related operating and capital expenditures are recorded, provided that the City meets the eligibility criteria.

**2- SIGNIFICANT ACCOUNTING POLICIES (continued)**

**q) Employee future benefits costs and obligations**

**- Defined benefit plans**

Plan liabilities reflect the year-end difference existing between the value of the accrued benefit obligations and the value of plan assets, net of unamortized actuarial gains and losses and the valuation allowance. The actuarial valuation of these liabilities is determined using the projected benefit method prorated on years of service with salary projection. It is also based on actuarial assumptions that include management's best estimates on, among other things, discount rates, the expected rate of return on plan assets, and the rate of compensation increase and healthcare costs.

The plan assets are valued using a market-related value, determined over a period not exceeding five years.

Past service costs related to plan amendments are recognized in the year during which the amendments are made.

Actuarial gains and losses resulting from the difference between the actual and the expected rate of return on plan assets or resulting from changes in actuarial assumptions are deferred and amortized over the average remaining service life of active employees. As at December 31, 2008, this average remaining service life varied from 8 to 16 years.

**- Defined contribution plans and pension plan for elected officials**

The pension expense for these plans is recognized when contributions are due.

**r) Landfill closure and post-closure costs**

Starting in 2009 and for an estimated period of 20 years, the City will assume the closure and post-closure costs of solid waste landfills that it has operated. The provision for these costs is an estimate of the costs required to provide final cover for closed landfills and to monitor and maintain the biogas and leachate collection and treatment systems. These estimated costs are recognized based on the landfill capacity already used.

The assumptions used to calculate these costs are periodically reviewed to account for advancements made in landfill management practices.

**s) Environmental obligations**

The City records an environmental liability when it is likely that corrective measures will be applied and the costs of these measures can be reasonably estimated.

**t) Repayment of long-term debt**

This item includes loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties.

**u) Foreign currency translation**

Revenues and expenditures related to foreign currency transactions are translated into Canadian dollars using the exchange rates in effect on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates in effect on the reporting date.

Loan repayments and payments to the Sinking Fund, with respect to loans denominated in foreign currencies that are not subject to a hedge against currency exposure, are translated using the exchange rates in effect on the transaction dates. For these loans, gains and losses resulting from the difference between the original conversion rate and conversion rate used on the repayment or payment date are recorded in the Statement of Financial Activities.

The foreign exchange gain or loss resulting from a long-term monetary item denominated in a foreign currency but not subject to a hedge against currency exposure is recognized in the Statement of Financial Position as a deferred item and charged to the Statement of Financial Activities using the straight-line method over the remaining term of the loans.

**2- SIGNIFICANT ACCOUNTING POLICIES (continued)**

**v) Derivative financial instruments**

The City uses derivative financial instruments to reduce its currency and interest rate risk exposure on long-term debt. The City does not use financial instruments for trading or speculative purposes.

The City uses cross-currency swaps to manage the risk associated with loans denominated in foreign currencies. These cross-currency swaps are translated at the exchange rate in effect on the reporting date. Those that constitute financial assets are deducted from long-term debt, and those that constitute financial liabilities are added to long-term debt. Gains and losses on these derivatives are recognized in the same period as the exchange gains and losses related to the corresponding debt and are charged against the latter.

Furthermore, the City uses interest rate swaps to manage interest rate risk related to its debt. These contracts result in interest exchanges that are recorded as an adjustment to financing expenses. The amounts payable to counterparties or receivable from counterparties are recorded as an adjustment to the accrued interest on the corresponding debt.

**w) Agglomeration powers**

Under an *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (R.S.Q., chapter E-20.001), the City, in addition to its local powers, exercises agglomeration powers over the entire territory of related municipalities. The main agglomeration powers cover the following areas: municipal assessments; public transit; the thoroughfares forming the arterial road system; water supply and water purification; disposal and reclamation of residual materials; municipal watercourses; police, civil protection and fire protection services; first responder services; the municipal court; social housing and assistance to the homeless; and certain components of economic development. Schedules 1 and 2 provide a breakdown of the operating and capital asset financial activities according to both local and agglomeration responsibilities.

**x) Sectorization and presentation of operating and capital expenditures**

The City's financial position, operating financial activities, capital asset financial activities, and by-item expenditures are broken down between the following sectors: municipal administration and controlled organizations.

Operating expenditures and capital expenditures are broken down as follows:

The "general administration" item refers to all municipal administration and management activity. Expenditures relate primarily to council activities, applications of the law, and financial, administrative and staff management.

The "public safety" item refers to all activities involving the protection of people and property. It includes all expenditures related to control, prevention and emergency measures as regards civil security.

The "transportation" item refers to all activities related to planning, organizing and maintaining road systems and to the transportation of people and goods.

The "environmental health" item refers to all expenditures related to water, the sewage system, waste removal, and environmental protection.

The "health and welfare" item refers to all community health and welfare services.

The "urban planning and development" item refers to the development and maintenance of the urban development plan or city plan as well as all expenditures related to developing the City's economic development programs.

The "recreation and culture" item refers to all the planning, organizing, and managing of recreational and cultural programs.

The "financing expenses" item refers to the interest and other charges involved in financing the financial activities.

**2- SIGNIFICANT ACCOUNTING POLICIES (continued)**

**y) Budget information**

The 2008 budget information, presented in Schedule 1 – Consolidated Operating Financial Activities and Schedule 2 – Consolidated Capital Asset Financial Activities include the forecasts approved in December 2007 by the city council and the urban agglomeration council.

**z) Future accounting changes**

Sections PS 1000, "Financial Statement Concepts," PS 1100, "Financial Statement Objectives," and PS 1200, "Financial Statement Presentation" have been amended and will apply to all levels of government. The amendments primarily focus on having local governments apply the reporting model already adopted by senior governments for fiscal years beginning on or after January 1, 2009. As of that date, the City will be reporting on a full-accrual basis of accounting.

Beginning in 2009, the City will also adopt the accounting standards issued in CICA Handbook Section PS 3150, "Tangible Capital Assets." These standards will require that the amortization of tangible capital assets with a limited useful life be expensed in the Statement of Financial Activities and that the total cost of land, which will no longer be amortized, be presented in a separate class of tangible capital asset. The City is currently assessing the impact that these new standards will have on its financial statements.

**3- CASH AND INVESTMENTS**
*(in thousands of dollars)*

| | 2008 | | | 2007 |
|---|---|---|---|---|
| | Sinking Fund | Other | Total | Total |
| Cash | | 2,684 (1) | 2,684 | 21,098 |
| Investments | | | | |
| Term deposits and other securities | 141,735 | 744,738 (1) | 886,473 | 756,994 |
| Bonds and debentures | 1,114,281 | 12,402 | 1,126,683 | 1,173,728 |
| | 1,256,016 | 759,824 | 2,015,840 | 1,951,820 |

(1) Cash and temporary investments totalled $747.4 million ($715.6 million in 2007). Temporary investments maturing in less than a year essentially include notes, banker's acceptances and deposit certificates. They bear interest at rates varying between 1% and 4.57% (4.3% and 4.94% in 2007).

As at December 31, 2008, the fair value of the Sinking Fund and other investments was $1,319.4 million ($1,264.3 million in 2007).

As at December 31, 2007, the Sinking Fund and other investments totalled $1,221.6 million and $14.6 million, respectively.

Bonds and debentures held by the City are essentially comprised of securities issued by governments and their bodies and by municipalities, school boards, CEGEPs, CLSCs and hospitals. In particular, they include City bonds totalling $169.7 million ($169.5 million in 2007).

Substantially all of the investments were denominated in Canadian dollars as at December 31, 2008 and December 31, 2007.

## Notes and Schedules to the Consolidated Financial Statements (continued)
December 31, 2008

### 3- CASH AND INVESTMENTS (continued)
*(in thousands of dollars)*

The maturities of Sinking Fund investments and bonds and debentures held by the City are as follows:

| | Term deposits and other securities | Bonds and debentures | Total | Weighted nominal interest rate |
|---|---|---|---|---|
| **December 31, 2008** | | | | |
| 2009 | 141,735 | 111,200 | 252,935 | 5.64% |
| 2010 | | 164,239 | 164,239 | 6.12% |
| 2011 | | 252,212 | 252,212 | 5.61% |
| 2012 | | 45,006 | 45,006 | 5.86% |
| 2013 | | 110,201 | 110,201 | 4.95% |
| 1 to 5 years | 141,735 | 682,858 | 824,593 | 5.64% |
| 6 to 10 years | | 376,031 | 376,031 | 5.41% |
| 11 to 15 years | | 61,269 | 61,269 | 4.77% |
| 16 to 20 years | | 6,525 | 6,525 | 6.80% |
| | 141,735 | 1,126,683 | 1,268,418 | |
| **December 31, 2007** | | | | |
| 2008 | 62,501 | 147,727 | 210,228 | 6.68% |
| 2009 | | 128,664 | 128,664 | 7.97% |
| 2010 | | 163,846 | 163,846 | 6.09% |
| 2011 | | 251,692 | 251,692 | 5.65% |
| 2012 | | 44,203 | 44,203 | 5.91% |
| 1 to 5 years | 62,501 | 736,132 | 798,633 | 6.40% |
| 6 to 10 years | | 383,076 | 383,076 | 5.29% |
| 11 to 15 years | | 48,044 | 48,044 | 4.29% |
| 16 to 20 years | | 6,476 | 6,476 | 6.85% |
| | 62,501 | 1,173,728 | 1,236,229 | |

### 4- ACCOUNTS RECEIVABLE
*(in thousands of dollars)*

| | 2008 | 2007 |
|---|---|---|
| Taxes | 78,481 | 91,304 |
| Government of Canada and its enterprises | 92,322 | 97,332 |
| Government of Québec and its enterprises | 2,011,223 | 1,955,805 |
| Municipal organizations | 35,977 | 37,982 |
| Services rendered and other | 332,798 | 291,293 |
| | 2,550,801 | 2,473,716 |

An allowance for doubtful accounts of $56.9 million ($87 million in 2007) has been deducted from accounts receivable.

| | | |
|---|---|---|
| Receivables amounts to be used to repay long-term debt | | |
| Government of Québec and its enterprises | 1,533,394 | 1,640,550 |
| Municipal organizations | 34,510 | 34,510 |
| | 1,567,904 | 1,675,060 |

The fair value of the receivables to be used to repay long-term debt is $1,671.8 million ($1,804.9 million in 2007).

## Notes and Schedules to the Consolidated Financial Statements (continued)
December 31, 2008

### 4- ACCOUNTS RECEIVABLE (continued)
*(in thousands of dollars)*

Accounts receivable collected for the repayment of long-term debt, for which repayment terms were determined as at December 31, 2008, are as follows:

| | Receipts | Weighted nominal interest rate | Refinancing |
|---|---|---|---|
| **December 31, 2008** | | | |
| 2009 | 95,368 | 5.86% | 25,450 |
| 2010 | 67,021 | 6.44% | 36,187 |
| 2011 | 69,728 | 6.43% | 31,628 |
| 2012 | 91,011 | 5.41% | 37,571 |
| 2013 | 85,357 | 5.33% | 53,907 |
| 1 to 5 years | 408,485 | 5.84% | 184,743 |
| 6 to 10 years | 508,317 | 5.28% | 200,123 |
| 11 to 15 years | 117,754 | 6.79% | 2,161 |
| 16 to 20 years | 86,456 | 5.28% | 6,345 |
| | 1,121,012 | 5.64% | 393,372 |
| **December 31, 2007** | | | |
| 2008 | 104,070 | 5.32% | 87,509 |
| 2009 | 116,133 | 5.67% | 12,581 |
| 2010 | 82,688 | 5.54% | 40,575 |
| 2011 | 80,658 | 5.57% | 31,630 |
| 2012 | 100,562 | 5.54% | 38,930 |
| 1 to 5 years | 484,111 | 5.53% | 211,225 |
| 6 to 10 years | 499,069 | 5.51% | 202,248 |
| 11 to 15 years | 138,739 | 6.86% | 2,161 |
| 16 to 20 years | 59,424 | 5.84% | 6,345 |
| | 1,181,343 | 5.69% | 421,979 |

### 5- LOANS
*(in thousands of dollars)*

| | 2008 | 2007 |
|---|---|---|
| Mortgage loans and other | 38,953 | 20,043 |
| Balances of sales prices | 6,217 | 10,271 |
| | 45,170 | 30,314 |

Mortgage loans and other, which mature from 2009 to 2033, bear interest at rates varying between 0% and 9%. An amount of $4.6 million has been deducted from the value of the loans to present them at discounted face value ($4.9 million in 2007).

Balances of sales prices, which mature from 2009 to 2017, bear interest at rates varying between 0% and 9%.

As at December 31, 2008, the fair value of mortgage loans and other as well as balances of sales prices was $44.7 million ($30.3 million in 2007).

## Notes and Schedules to the Consolidated Financial Statements (continued)
December 31, 2008

### 6- CAPITAL ASSETS
*(in thousands of dollars)*

| | Balance as at 31-12-2007 | Increase | Decrease | Balance as at 31-12-2008 |
|---|---|---|---|---|
| **COST** | | | | |
| Infrastructures | 8,146,415 | 565,917 | 111,400 | 8,600,932 |
| Metro system | 2,086,768 | 163,724 | 6 | 2,250,486 |
| Buildings | 2,109,726 | 95,379 | 35,556 | 2,169,549 |
| Leasehold improvements | 67,573 | 5,452 | 736 | 72,289 |
| Vehicles | 1,088,562 | 87,202 | 58,771 | 1,116,993 |
| Office furniture and equipment | 361,729 | 98,288 | 39,148 | 420,869 |
| Machinery, tools and equipment | 196,111 | 38,563 | 670 | 234,004 |
| Land | 57,159 | 20,458 | | 77,617 |
| Other | 27,209 | 1,246 | 1,471 | 26,984 |
| | 14,141,252 | 1,076,229 | 247,758 | 14,969,723 |
| **ACCUMULATED AMORTIZATION** | | | | |
| Infrastructures | 3,443,969 | 283,890 | 111,400 | 3,616,459 |
| Metro system | 1,318,053 | 27,984 | | 1,346,037 |
| Buildings | 992,723 | 57,740 | 15,360 | 1,035,103 |
| Leasehold improvements | 33,530 | 4,107 | 736 | 36,901 |
| Vehicles | 559,401 | 74,117 | 56,469 | 577,049 |
| Office furniture and equipment | 152,968 | 50,873 | 39,148 | 164,693 |
| Machinery, tools and equipment | 79,503 | 15,549 | 670 | 94,382 |
| Other | 20,653 | 2,430 | 1,471 | 21,612 |
| | 6,600,800 | 516,690 | 225,254 | 6,892,236 |
| **NET CARRYING VALUE** | 7,540,452 | | | 8,077,487 |

### 7- OTHER NON-FINANCIAL ASSETS
*(in thousands of dollars)*

| | 2008 | 2007 |
|---|---|---|
| Issuance of securities | 36,245 | 27,125 |
| Other | 15,973 | 19,191 |
| | 52,218 | 46,316 |

### 8- TEMPORARY LOANS

The City has lines of credit with banking institutions for a total amount of $726 million. Under these credit facilities, amounts can be drawn in Canadian or U.S. dollars at floating rates based on the prime rates of the banking institutions. These lines of credit are not secured and are renewable annually. As at December 31, 2008, amounts drawn on the lines of credit amounted to $318.2 million ($113.1 million in 2007) and were bearing interest at a weighted average rate of 3.27%.

## 9- ACCOUNTS PAYABLE, PROVISIONS AND ACCRUED LIABILITIES
*(in thousands of dollars)*

| | 2008 | 2007 |
|---|---|---|
| Trade accounts payable | 440,303 | 332,663 |
| Salaries, source deductions and employee benefits | 460,615 | 482,860 |
| Accrued interest payable on long-term debt | 77,092 | 81,890 |
| Provisions | | |
| Landfill closure and post-closure costs | 44,336 | 34,122 |
| Contested valuations | 120,185 | 102,634 |
| Other | 115,450 | 96,666 |
| Deposits and holdbacks | 44,958 | 38,887 |
| Government of Québec and its enterprises | 36,636 | 33,760 |
| Government of Canada and its enterprises | 14,060 | 10,738 |
| Other | 52,088 | 33,963 |
| | 1,405,723 | 1,248,183 |

## 10- DEFERRED REVENUES
*(in thousands of dollars)*

| | 2008 | 2007 |
|---|---|---|
| Premium upon issuance of securities | 41,971 | 43,193 |
| Sale of a concession | 32,000 | 34,000 |
| Transfers | 47,058 | 37,624 |
| Pension plan | 6,106 | 6,910 |
| Unrealized net foreign exchange gains | 1,260 | 7,812 |
| Other | 10,174 | 12,715 |
| | 138,569 | 142,254 |

## 11- LONG-TERM DEBT
*(in thousands of dollars)*

| | 2008 | 2007 |
|---|---|---|
| Bonds and notes | | |
| In Canadian dollars (1) | 7,289,913 | 7,259,669 |
| In foreign currencies | 135,950 | 108,191 |
| Other long-term debt | | |
| Obligations under capital leases | 2,997 | 3,311 |
| Term loans and mortgages (2) | 194,949 | 210,817 |
| Other | 14,575 | 18,325 |
| | 7,638,384 | 7,600,313 |

(1) Includes the long-term debt related to repaying the net pension plan obligation totalling $1,328.4 million ($1,417.3 million in 2007).

(2) Mortgages in the amount of $64.4 million ($50.6 million in 2007) are guaranteed by properties with a carrying value of $64.6 million ($51 million in 2007).

**11- LONG-TERM DEBT (continued)**
*(in thousands of dollars)*

The repayment of the long-term debt is allocated as follows:

| | 2008 | 2007 |
|---|---|---|
| Chargeable to taxpayers | | |
| Of the central municipality | 2,839,767 | 2,935,035 |
| Of the agglomeration | 1,727,019 | 1,540,536 |
| Amounts accumulated in the Sinking Fund | 1,256,016 | 1,221,604 |
| Receivables amount to be used to repay long-term debt | | |
| Government of Québec and its enterprises | 1,533,394 | 1,640,550 |
| Municipal organizations | 34,510 | 34,510 |
| Amount recoverable through user fees | 247,678 | 228,078 |
| | 7,638,384 | 7,600,313 |

The City uses currency and interest-rate swap agreements for loans totalling $674.9 million ($731.4 million in 2007). The financial liabilities associated with these swaps, which amount to $107.4 million ($181.5 million in 2007), are included in the long-term debt amount.

Considering the existence of these swaps, substantially all of the loans contracted by the City bear interest at a fixed rate. As at December 31, 2008, unhedged foreign exchange loans amounted to $136 million ($108.2 million in 2007) and the foreign exchange loss on these loans amounted to $35 million ($7.2 million in 2007). In this regard, a provision of $29.4 million ($26.7 million in 2007) was recorded in the Sinking Fund.

**Estimated payments on long-term debt are as follows:**

| | 2008 | | | | | 2007 | | |
|---|---|---|---|---|---|---|---|---|
| Maturity | Canadian dollars (1) | Foreign currencies | Maturity | Refinancing | Net maturity | Maturity | Refinancing | Net maturity |
| 2008 | | | | | | 733,489 | 225,434 | 508,055 |
| 2009 | 500,415 | 39,736 | 540,151 | 98,864 | 441,287 | 492,643 | 94,004 | 398,639 |
| 2010 | 711,172 | | 711,172 | 158,942 | 552,230 | 672,662 | 156,996 | 515,666 |
| 2011 | 621,959 | | 621,959 | 141,726 | 480,233 | 583,067 | 138,994 | 444,073 |
| 2012 | 435,324 | 42,630 | 477,954 | 207,997 | 269,957 | 447,716 | 213,155 | 234,561 |
| 2013 | 560,080 | 53,215 | 613,295 | 302,082 | 311,213 | | | |
| 1 to 5 years | 2,828,950 | 135,581 | 2,964,531 | 909,611 | 2,054,920 | 2,929,577 | 828,583 | 2,100,994 |
| 6 to 10 years | 2,464,853 | | 2,464,853 | 735,656 | 1,729,197 | 2,359,604 | 746,985 | 1,612,619 |
| 11 to 15 years | 274,504 | | 274,504 | 8,333 | 266,171 | 188,212 | 8,333 | 179,879 |
| 16 to 20 years | 882,396 | | 882,396 | 8,172 | 874,224 | 992,390 | 8,172 | 984,218 |
| 2043 | 932,556 | | 932,556 | | 932,556 | 1,010,952 | | 1,010,952 |
| 2045 | 119,174 | | 119,174 | | 119,174 | 119,174 | | 119,174 |
| Perpetuity | | 370 | 370 | | 370 | 404 | | 404 |
| TOTAL | 7,502,433 | 135,951 | 7,638,384 | 1,661,772 | 5,976,612 | 7,600,313 | 1,592,073 | 6,008,240 |

**11- LONG-TERM DEBT (continued)**
*(in thousands of dollars)*

**Debt summary:**

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Foreign currencies | Canadian dollars | % | Foreign currencies | Canadian dollars | % |
| Canadian dollars (1) | | 7,502,433 | 98.22 | | 7,492,122 | 98.57 |
| U.S. dollars | 67,624 | 82,366 | 1.08 | 67,624 | 67,037 | 0.88 |
| Swiss Francs | 46,700 | 53,215 | 0.70 | 46,700 | 40,750 | 0.54 |
| Pounds Sterling | 192 | 370 | | 192 | 404 | 0.01 |
| | | 7,638,384 | 100.00 | | 7,600,313 | 100.00 |

(1) Including loans contracted in foreign currencies that are subject to hedging

**Interest rates**

The interest rates shown in the table take into account the nominal interest rate and impact of interest rate swaps.

| | 2008 | | | 2007 |
|---|---|---|---|---|
| Maturity | Canadian dollars | Foreign currencies | Weighted average | Weighted average |
| 1 to 5 years | 6.12% | 3.80% | 6.02% | 6.36% |
| 6 to 10 years | 5.04% | | 5.04% | 5.11% |
| 11 to 15 years | 6.00% | | 6.00% | 6.40% |
| 16 to 20 years | 5.41% | | 5.41% | 5.46% |
| 2043 | 6.00% | | 6.00% | 6.00% |
| 2045 | 6.00% | | 6.00% | 6.00% |
| Perpetuity | | 3.00% | 3.00% | 3.00% |
| Weighted average | 5.66% | 3.80% | 5.63% | 5.80% |

**Fair value**

The fair value of the debt was $8,105 million ($8,026.2 million in 2007). Fair value includes the net financial liabilities associated with foreign currency and interest-rate swaps of $168.8 million ($233.1 million in 2007).

# Notes and Schedules to the Consolidated Financial Statements (continued)
December 31, 2008

## 12- EMPLOYEE FUTURE BENEFITS LIABILITY
*(in thousands of dollars)*

| | 2008 | 2007 |
|---|---|---|
| Defined benefit pension plans | 204,514 | 81,153 |
| Other pension plans | 216,148 | 206,886 |
| | 420,662 | 288,039 |

Expenses for the defined benefit plans totalled $267.2 million ($212.9 million in 2007). Expenses for the defined contribution plans and the pension plans of elected officials totalled $0.6 million ($0.6 million in 2007) and $1.8 million ($1.9 million in 2007), respectively.

**Defined benefit plans**

a) Description of the plans

The City offers various defined benefit pension plans to most of its employees. Under these plans, benefits paid to employees are based on the number of years of service and the average salary for the highest paid years. The City's contributions are determined according to various actuarial methods.

Other retirement benefits, including life insurance and insurance coverage for medical and dental costs, are also provided to certain employees. Certain post-employment benefits are also provided and include, in particular, income replacement benefits, supplemental unemployment benefits, maintenance of coverage during periods of temporary absence and certain termination allowances. These plans are not funded.

b) Reconciliation of the funded status of the benefit plans with the amounts recorded in the Consolidated Statement of Financial Position.

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Pension plans | Other plans | Pension plans | Other plans |
| Actuarial value of plan assets | 12,936,672 | | 13,250,597 | |
| Accrued benefit obligation | (13,116,207) | (198,387) | (12,529,804) | (204,771) |
| Funded status of plans (deficit) | (179,535) | (198,387) | 720,793 | (204,771) |
| Unamortized actuarial losses (gains) | 977,277 | (17,761) | 163,841 | (2,115) |
| Accrued benefit asset (liability) | 797,742 | (216,148) | 884,634 | (206,886) |
| Valuation allowance | (1,002,256) | | (965,787) | |
| Employee future benefits liability | (204,514) | (216,148) | (81,153) | (206,886) |

**12- EMPLOYEE FUTURE BENEFITS LIABILITY (continued)**
*(in thousands of dollars)*

c) Plans in which the accrued benefit obligation exceeds the plan assets

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Pension plans | Other plans | Pension plans | Other plans |
| Accrued benefit obligation | (6,313,617) | (198,387) | (3,417,344) | (204,771) |
| Actuarial value of plan assets | 5,457,300 | | 2,986,147 | |
| Funded status - deficit | (856,317) | (198,387) | (431,197) | (204,771) |

d) Actuarial value of plan assets

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Pension plans | Other plans | Pension plans | Other plans |
| Balance at beginning | 13,250,597 | | 12,621,647 | |
| Contributions for the year | 216,186 | 11,849 | 237,493 | 13,619 |
| Expected return on plan assets | 835,744 | | 830,014 | |
| Benefits paid | (756,157) | (11,849) | (730,775) | (13,619) |
| Gain (loss) during the year on the expected return on plan assets | (609,698) | | 292,218 | |
| Balance at end | 12,936,672 | | 13,250,597 | |
| Fair value of plan assets | 10,659,807 | | 13,419,209 | |

e) Accrued benefit obligation

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Pension plans | Other plans | Pension plans | Other plans |
| Balance at beginning | 12,529,804 | 204,771 | 11,742,303 | 199,140 |
| Current service cost | 308,640 | 9,538 | 291,910 | 11,301 |
| Past service cost | 152,076 | 1,919 | 1,106 | |
| Benefits paid | (756,157) | (11,849) | (730,775) | (13,619) |
| Interest receivable on the obligation | 791,150 | 10,263 | 769,201 | 10,064 |
| Loss (gain) on the obligation during the year | 90,694 | (16,255) | 456,059 | (2,115) |
| Balance at end | 13,116,207 | 198,387 | 12,529,804 | 204,771 |

**12- EMPLOYEE FUTURE BENEFITS LIABILITY (continued)**
*(in thousands of dollars)*

f) Components of the expense for defined benefits plans

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Pension plans | Other plans | Pension plans | Other plans |
| Current service cost | 308,640 | 9,538 | 291,910 | 11,301 |
| Past service cost | 152,076 | 1,919 | 1,106 | |
| Employee contributions | (93,502) | | (92,024) | |
| Unamortized actuarial gains applied against past service costs | (128,576) | | | |
| Amortization of actuarial losses (gains) | 15,532 | (609) | | |
| Retirement benefits expense | 254,170 | 10,848 | 200,992 | 11,301 |
| Interest receivable on the obligation | 791,150 | 10,263 | 769,201 | 10,064 |
| Expected return on plan assets | (835,744) | | (830,014) | |
| Interest cost | (44,594) | 10,263 | (60,813) | 10,064 |
| Change in valuation allowance | 36,469 | | 51,343 | |
| Total expense | 246,045 | 21,111 | 191,522 | 21,365 |

g) Principal actuarial assumptions (weighted rates)

The principal actuarial assumptions used in the actuarial valuations performed from December 31, 2004 to December 31, 2007 are as follows:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Pension plans | Other plans | Pension plans | Other plans |
| Discount rate | 6.25% to 6.75% | 5.00% | 6.25% to 6.75% | 5.00% |
| Rate of expected return on plan assets | 6.25% to 6.75% | | 6.25% to 6.75% | |
| Salary escalation rate | 3.00% to 4.00% | 4.00% | 3.00% to 4.00% | 4.00% |
| Initial growth rate for healthcare costs | | 9.01% | | 9.63% |
| Ultimate growth rate for healthcare costs | | 4.05% | | 4.05% |
| Year when rate is expected to stabilize | | 2017 | | 2017 |
| Initial growth rate for dental care costs | | 4.00% | | 4.00% |

**12- EMPLOYEE FUTURE BENEFITS LIABILITY (continued)**
*(in thousands of dollars)*

**Defined contribution plans and plans of elected officials**

a) Description of plans

Some employees are members of defined contribution plans, under which the City's contribution represents a percentage of pay. Elected officials are members of defined benefit pension plans administered by the Commission administrative des régimes de retraite et d'assurances du Québec. The City's contributions are determined by the government.

b) Employer's contributions

| | 2008 | 2007 |
|---|---|---|
| Defined contribution plans | 591 | 569 |
| Pension plans of elected officials | 1,817 | 1,863 |

**13- NET INVESTMENT IN CAPITAL ASSETS**
*(in thousands of dollars)*

| | 2008 | 2007 |
|---|---|---|
| ASSETS | | |
| Investments - Sinking Fund | 1,256,016 | 1,221,604 |
| Receivables amount to be used to repay long-term debt | 1,355,923 | 1,455,146 |
| Capital assets | 8,077,487 | 7,540,452 |
| | 10,689,426 | 10,217,202 |
| LIABILITIES AND TAXPAYERS' EQUITY | | |
| Deferred revenues - unrealized net foreign exchange gains | (1,260) | (7,812) |
| Long-term debt | (7,638,384) | (7,600,313) |
| Debts in refinancing | (10,531) | (25,395) |
| Debt not affecting the net investment in capital assets | 1,453,044 | 1,543,564 |
| | (6,197,131) | (6,089,956) |
| | 4,492,295 | 4,127,246 |

## Notes and Schedules to the Consolidated Financial Statements (continued)
December 31, 2008

### 14- TRANSFERS
*(in thousands of dollars)*

| | 2008 | 2007 |
|---|---|---|
| Transfers - operating financial activities | | |
| Government of Québec | 368,065 | 391,631 |
| Transfers - capital asset financial activities | | |
| Government of Canada | | |
| Canada-Québec Infrastructure program | 1,833 | 2,081 |
| Transportation Security program | 7,215 | |
| Government of Québec | | |
| Canada-Québec Infrastructure program | | 971 |
| Québec-Municipalities Infrastructure program | 129,681 | 260,544 |
| SOFIL | 100,412 | 121,764 |
| Other | 20,306 | 3,812 |
| | 259,447 | 389,172 |
| | 627,512 | 780,803 |

### 15- INTEREST INCOME
*(in thousands of dollars)*

| | 2008 | 2007 |
|---|---|---|
| Sinking fund | 62,471 | 66,044 |
| Cash and other interest | 54,015 | 63,769 |
| Tax arrears | 8,529 | 7,646 |
| | 125,015 | 137,459 |

### 16- FINANCIAL INSTRUMENTS

**Use of derivative instruments**

The City uses derivative financial instruments to reduce its currency and interest rate risk exposure on long-term debt. It does not use derivative financial instruments for trading or speculative purposes.

**Exchange and interest positions**

As at December 31, 2008, considering the use of currency and interest-rate swaps, substantially all of the City's loans are denominated in Canadian dollars and bear interest at a fixed rate.

## 16- FINANCIAL INSTRUMENTS (continued)

***Credit risk***

In using derivative financial instruments, the City is exposed to credit losses arising from third-party defaults on payment. The City believes these parties will be able to meet their obligations since it deals only with recognized institutions whose credit ratings are higher than its own.

**Fair value**

The fair values of cash and temporary investments, accounts receivable other than those used to repay long-term debt, temporary loans, and accounts payable, provisions and accrued liabilities approximate their carrying values due to the short maturities of these financial instruments.

The following table shows the fair values and carrying values of other financial instruments:

| *(in thousands of dollars)* | 2008 | | 2007 | |
|---|---|---|---|---|
| | Fair value | Carrying value | Fair value | Carrying value |
| Investments | 1,319,449 | 1,268,418 | 1,264,348 | 1,236,229 |
| Receivables amount to be used to repay long-term debt | 1,671,763 | 1,567,904 | 1,804,882 | 1,675,060 |
| Loans | 44,655 | 45,170 | 30,314 | 30,314 |
| Long-term debt | 8,104,973 | 7,638,384 | 8,026,160 | 7,600,313 |

The fair value of investments is the amount at which they could be exchanged on the market between parties at arm's length. The fair value of the receivables amount to be used to repay long-term debt, the loans as well as the fair value of long-term debt is essentially based on a discounted cash flow calculation that uses rates of return or the year-end market price of similar instruments with the same maturity. The fair value of swaps is the amount the City would receive or pay if these contracts closed at that date. As at December 31, 2008, the fair value and carrying value of financial liabilities associated with swaps stood at $168.8 million and $107.4 million ($233.1 million and $181.5 million in 2007). They are included in the long-term debt amounts.

## 17- COMMITMENTS AND CONTINGENCIES

### a) Contractual obligations

The City has contractual obligations relating primarily to property leases, equipment and machinery rentals, and snow-removal and garbage collection services. Under these obligations, the City has committed to paying a total amount of $1,107.5 million. The estimated amounts payable over the coming years are as follows:

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014-2069 | Total |
|---|---|---|---|---|---|---|
| $216.8 M | $176.6 M | $137.8 M | $112.9 M | $87.5 M | $375.9 M | $1,107.5 M |

Capital expenditure commitments total $1,159.8 million.

The City has negotiated agreements to be supplied with diesel fuel at a set price. As at December 31, 2008, the balance of the commitment was $78.3 million.

**17- COMMITMENTS AND CONTINGENCIES (continued)**

**b) Ownership of property used to extend the métro system to the City of Laval**

On April 28, 2007, the Agence métropolitaine de transport transferred the property used in extending the metro system to Laval to the City (Société de transport de Montréal) at no cost under Section 47 of the *Act respecting the Agence métropolitaine de transport* ("deed evidencing the transfer dated April 28, 2007"). On December 21, 2007, this transfer was cancelled on the condition that a new agreement be negotiated by the parties before February 28, 2008 ("reconveyance agreement dated December 21, 2007"). The expiry date of the reconveyance agreement dated December 21, 2007 was extended to June 30, 2009.

The signing of this agreement could increase the City's assets as well as it liabilities and taxpayers' equity by approximately $1,500.0 million, i.e., $750.0 million for capital assets and receivables amounts to be used to repay long-term debt and $750.0 million for long-term debt and net investment in capital assets. This would have no impact on the City's financial activities due to the subsidies receivable from the ministère des Transports du Québec.

**c) Metered parking**

In 1995, the City awarded a part of its exclusive metered parking operations (in lots and on the streets) to a private organization under an agreement ending December 31, 2024 and renewable for a minimum additional period of ten years. When the agreement expires, the City has agreed to purchase the capital assets used for metered parking at their fair market value from this organization. However, over the term of the agreement, the City will benefit from a purchase option on the parking lots that equals the purchase price paid by the organization. As at December 31, 2008, the net book value of these assets, including the acquisition cost of the parking lots of $5.3 million, was $20.9 million. In addition, the City has endorsed a loan the balance of which is $21.3 million as at December 31, 2008.

**d) E-Commerce Place**

Under a management agreement related to the E-Commerce Place real estate project, the City has endorsed a loan the balance of which is $33.7 million as at December 31, 2008.

**e) Claims and insurance**

Claims pending against the City amount to $2,259.1 million. One such claim, in particular, could amount to $1,600 million and involves the existence of flowering ragweed on City land. In the opinion of the City's legal counsel, the settlement of these claims will not materially impact the City's financial situation.

The municipal administration has not contracted any risk insurance. However, according to its Charter, the City must forecast, in its budget, an amount of at least 1% of its expenditures to cover expenditures not forecasted in the budget, the settling of claims and payment of judgments.

**f) Environment**

The City, as an owner of contaminated land, may be required to perform certain acts to comply with the *Act to amend the Environment Quality Act* (2002, chapter 11). The City may have to characterize and, if necessary, rehabilitate a parcel of land after it has been used or when its use has been changed. The City is currently unable to determine the cost or method of financing of any measures.

## 18- COMMUNAUTÉ MÉTROPOLITAINE DE MONTRÉAL (CMM)

The City is part of the CMM, a regulatory, planning, coordinating and funding body. Under the *Act respecting the Montréal Metropolitan Community* (R.S.Q C-37.01), the CMM exercises jurisdiction over such areas as land planning; economic development; arts and culture promotion; social housing; facilities, infrastructure, services and activities of metropolitan importance; public transit and the metropolitan arterial road network; waste management planning; air quality; and water purification.

During the year, the City's financial contribution to the CMM totalled $26.6 million ($26.5 million in 2007). The CMM, for its part, paid the City $39.3 million ($39.7 million in 2007) with respect to the operating costs of certain metropolitan equipment assumed by the City and for the social housing program.

## 19- COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

## Notes and Schedules to the Consolidated Financial Statements (continued)
Year ended December 31, 2008

### SCHEDULE 1 – CONSOLIDATED OPERATING FINANCIAL ACTIVITIES BY RESPONSIBILITY

| | 2008 | |
|---|---|---|
| | Local responsibilities | |
| | Budget | Actual |
| **Revenues** | | |
| Taxes | 1,024,121 | 1,035,669 |
| Payments in lieu of taxes | 100,565 | 91,274 |
| Transfers | 194,648 | 227,434 |
| Services rendered | 258,384 | 335,586 |
| Fee collection | 102,641 | 126,726 |
| Fines and penalties | 115,191 | 82,177 |
| Interest | 80,388 | 86,916 |
| Other revenues | 48,600 | 62,075 |
| | 1,934,538 | 2,047,857 |
| **Operating expenditures** | | |
| General administration | 382,942 | 317,707 |
| Public safety | 13,186 | 14,908 |
| Transportation | 232,896 | 316,885 |
| Environmental health | 155,291 | 145,899 |
| Health and welfare | 72,274 | 100,032 |
| Urban planning and development | 124,805 | 115,284 |
| Recreation and culture | 352,790 | 365,732 |
| Financing expenses | 340,590 | 334,390 |
| | 1,674,774 | 1,710,837 |
| **Surplus for the year** | 259,764 | 337,020 |
| **Financing** | | |
| Repayment of long-term debt | (244,605) | (250,595) |
| **Appropriations** | | |
| Capital asset financial activities | (5,106) | (9,034) |
| Unrestricted surplus | | |
| Restricted surplus | 25,423 | 98,761 |
| Financial reserves and reserved funds | | (10,857) |
| Amount to be funded in the future | (35,476) | (50,018) |
| | (15,159) | 26,852 |
| **Change in fund balances from the year's operating financial activities** | | 113,277 |

(1) The eliminations refer to transactions carried out between organizations included in the financial reporting entity as well as to interjurisdictional transactions.

## Notes and Schedules to the Consolidated Financial Statements (continued)
Year ended December 31, 2008

*(in thousands of dollars)*

| 2008 | | | | | | 2007 |
|---|---|---|---|---|---|---|
| Urban agglomeration responsibilities | | Eliminations (1) | | Total | | Total |
| Budget | Actual | Budget | Actual | Budget | Actual | Actual |
| 1,635,312 | 1,651,592 | | (11,189) | 2,659,433 | 2,676,072 | 2,597,439 |
| 141,405 | 134,754 | | | 241,970 | 226,028 | 242,893 |
| 249,349 | 140,631 | | | 443,997 | 368,065 | 391,631 |
| 501,451 | 516,044 | (37,798) | (60,628) | 722,037 | 791,002 | 702,520 |
| 1,891 | 1,883 | | | 104,532 | 128,609 | 132,202 |
| 87,648 | 76,455 | | | 202,839 | 158,632 | 155,708 |
| 33,392 | 38,099 | | | 123,780 | 125,015 | 137,459 |
| 344,013 | 446,336 | (301,700) | (346,005) | 90,913 | 162,406 | 159,894 |
| 2,994,461 | 3,005,794 | (339,498) | (417,822) | 4,589,501 | 4,635,829 | 4,519,746 |
| 214,373 | 188,544 | (34,905) | (42,364) | 562,410 | 463,887 | 454,706 |
| 841,684 | 865,096 | | (58) | 854,870 | 879,946 | 830,115 |
| 1,365,750 | 1,307,373 | (310,000) | (341,360) | 1,288,646 | 1,282,898 | 1,139,545 |
| 245,402 | 217,408 | (2,852) | (2,125) | 397,841 | 361,182 | 342,084 |
| 35,238 | 32,084 | | (9,738) | 107,512 | 122,378 | 148,613 |
| 49,470 | 43,846 | (41) | (10,540) | 174,234 | 148,590 | 160,033 |
| 72,615 | 99,199 | | (22,054) | 425,405 | 442,877 | 425,398 |
| 75,194 | 121,600 | | | 415,784 | 455,990 | 427,837 |
| 2,899,726 | 2,875,150 | (347,798) | (428,239) | 4,226,702 | 4,157,748 | 3,928,331 |
| 94,735 | 130,644 | 8,300 | 10,417 | 362,799 | 478,081 | 591,415 |
| (143,484) | (150,947) | | | (388,089) | (401,542) | (378,279) |
| (19,132) | (9,584) | (8,300) | (10,417) | (32,538) | (29,035) | (87,662) |
| | | | | | | (13,403) |
| 31,222 | 36,764 | | | 56,645 | 133,525 | 81,133 |
| | (52,701) | | | | (63,558) | (43,919) |
| 36,659 | 22,798 | | | 1,183 | (27,220) | (56,717) |
| 48,749 | (2,723) | (8,300) | (10,417) | 25,290 | 13,712 | (120,568) |
| | (23,026) | | | | 90,251 | 92,568 |

## Notes and Schedules to the Consolidated Financial Statements (continued)
Year ended December 31, 2008

### SCHEDULE 2 – CONSOLIDATED CAPITAL ASSET FINANCIAL ACTIVITIES BY RESPONSIBILITY

| | 2008 | |
|---|---|---|
| | Local responsibilities | |
| | Budget | Actual |
| **Revenues** | | |
| Transfers | 101,492 | 51,529 |
| Other revenues | | |
| Developers' contributions | 5,630 | 7,061 |
| Other | | 270 |
| | 107,122 | 58,860 |
| **Capital expenditures** | | |
| General administration | 37,468 | 27,860 |
| Public safety | | 322 |
| Transportation | 129,220 | 136,367 |
| Environmental health | 104,588 | 69,553 |
| Health and welfare | | 2,974 |
| Urban planning and development | 67,074 | 56,494 |
| Recreation and culture | 83,998 | 68,153 |
| | 422,348 | 361,723 |
| **Deficit for the year** | (315,226) | (302,863) |
| **Financing** | | |
| Long-term financing of capital asset financial activities | 282,648 | 259,411 |
| **Appropriations** | | |
| Operating financial activities | 5,106 | 9,034 |
| Unrestricted surplus | | |
| Restricted surplus | 25,423 | 4,253 |
| Financial reserves and reserved funds | 2,049 | 2,466 |
| | 32,578 | 15,753 |
| **Change in fund balances from the year's capital asset financial activities** | | (27,699) |

(1) The eliminations refer to transactions carried out between organizations included in the financial reporting entity.

## Notes and Schedules to the Consolidated Financial Statements (continued)
Year ended December 31, 2008

*(in thousands of dollars)*

| 2008 | | | | | | 2007 |
|---|---|---|---|---|---|---|
| Urban agglomeration responsibilities | | Eliminations (1) | | Total | | Total |
| Budget | Actual | Budget | Actual | Budget | Actual | Actual |
| 407,296 | 207,918 | | | 508,788 | 259,447 | 389,172 |
| 1,001 | 284 | | | 6,631 | 7,345 | 12,519 |
| 8,300 | 11,632 | (8,300) | (10,417) | | 1,485 | 3,909 |
| 416,597 | 219,834 | (8,300) | (10,417) | 515,419 | 268,277 | 405,600 |
| 32,050 | 25,331 | | | 69,518 | 53,191 | 50,207 |
| 33,846 | 37,185 | | | 33,846 | 37,507 | 35,570 |
| 695,158 | 469,257 | | | 824,378 | 605,624 | 431,547 |
| 147,197 | 96,592 | | | 251,785 | 166,145 | 115,907 |
| | 3,730 | | | | 6,704 | 3,588 |
| 24,606 | 32,132 | | | 91,680 | 88,626 | 54,603 |
| 77,643 | 50,279 | | | 161,641 | 118,432 | 78,609 |
| 1,010,500 | 714,506 | | | 1,432,848 | 1,076,229 | 770,031 |
| (593,903) | (494,672) | (8,300) | (10,417) | (917,429) | (807,952) | (364,431) |
| 503,245 | 307,734 | | | 785,893 | 567,145 | 554,191 |
| 19,132 | 9,584 | 8,300 | 10,417 | 32,538 | 29,035 | 87,662 |
| | | | | | | (118) |
| 32,001 | (72) | | | 57,424 | 4,181 | 4,488 |
| 39,525 | 27,001 | | | 41,574 | 29,467 | 28,574 |
| 90,658 | 36,513 | 8,300 | 10,417 | 131,536 | 62,683 | 120,606 |
| | (150,425) | | | | (178,124) | 310,366 |

## Notes and Schedules to the Consolidated Financial Statements (continued)
Year ended December 31, 2008

**SCHEDULE 3 – CONSOLIDATED OPERATING EXPENDITURES BY ITEM** *(in thousands of dollars)*

| | 2008 | | 2007 |
|---|---|---|---|
| | Budget | Actual | Actual |
| **Salaries** | | | |
| Elected officials | 9,686 | 10,043 | 8,964 |
| Employees | 1,852,707 | 1,874,155 | 1,832,126 |
| **Employer contributions** | | | |
| Elected officials | 3,530 | 4,170 | 3,029 |
| Employees | 535,454 | 564,328 | 464,844 |
| **Transportation and communication** | 53,224 | 122,874 | 109,075 |
| **Professional, technical and other services** | | | |
| Professional fees | 89,661 | 72,152 | 63,818 |
| Purchase of technical services | 237,313 | 298,200 | 225,404 |
| Other | 48,392 | 3,811 | 16,492 |
| **Rental, maintenance and repairs** | | | |
| Rental | 99,227 | 89,757 | 80,404 |
| Maintenance and repairs | 86,964 | 84,231 | 86,658 |
| **Durable goods** | | | |
| Construction | 4,998 | 14,483 | 11,530 |
| Other durable goods | 16,782 | 5,364 | 2,085 |
| **Non-durable goods** | | | |
| Delivery of public services | 115,585 | 114,819 | 109,395 |
| Other non-durable goods | 259,673 | 201,356 | 188,578 |
| **Financing expenses** | | | |
| Interest and other charges on long-term debt borne by: | | | |
| Municipality | 269,736 | 294,123 | 253,154 |
| Government of Québec and its enterprises | 93,116 | 124,226 | 99,996 |
| Other third parties | 51,517 | 38,598 | 63,557 |
| Other financing expenses | 1,415 | 9,043 | 11,130 |
| **Contributions to organizations** | | | |
| Municipal organizations | | | |
| Communauté métropolitaine de Montréal | 27,314 | 26,554 | 26,491 |
| Reconstituted municipalities | 14,271 | 14,218 | 14,295 |
| Other | 11,427 | 144 | 139 |
| Government organizations | | | |
| Agence métropolitaine de transport | 36,788 | 36,011 | 33,395 |
| Other | 10,398 | 10,395 | 8,667 |
| Other organizations | 84,549 | 91,136 | 95,033 |
| **Other items** | | | |
| Doubtful accounts or bad debts | 18,512 | (15,227) | 14,817 |
| Other | 194,503 | 78,784 | 105,255 |
| | 4,226,702 | 4,157,748 | 3,928,331 |

## Notes and Schedules to the Consolidated Financial Statements (continued)
Year ended December 31, 2008

**SCHEDULE 4 – CONSOLIDATED CAPITAL EXPENDITURES BY ITEM** *(in thousands of dollars)*

| | 2008 | | 2007 |
|---|---|---|---|
| | Budget | Actual | Actual |
| **Salaries** | | | |
| Elected officials | | | |
| Employees | 21,066 | 45,085 | 42,664 |
| **Employer contributions** | | | |
| Elected officials | | | |
| Employees | 6,081 | 5,847 | 9,056 |
| **Transportation and communication** | 120 | 6,051 | 599 |
| **Professional, technical and other services** | | | |
| Professional fees | 80,666 | 70,582 | 49,572 |
| Purchase of technical services | 1,985 | 54,176 | 44,445 |
| Other | 2,838 | | |
| **Rental, maintenance and repairs** | | | |
| Rental | | 25 | 1,229 |
| Maintenance and repairs | | | |
| **Durable goods** | | | |
| Construction | 778,979 | 561,654 | 388,124 |
| Other durable goods | 540,387 | 328,586 | 230,204 |
| **Non-durable goods** | | | |
| Delivery of public services | | | |
| Other non-durable goods | | 469 | |
| **Financing expenses** | | | |
| Interest and other charges on long-term debt borne by: | | | |
| Municipality | | | |
| Government of Québec and its enterprises | | | |
| Other third parties | | | |
| Other financing expenses | | | |
| **Contributions to organizations** | | | |
| Municipal organizations | | | |
| Société de transport de Montréal | | | |
| Communauté métropolitaine de Montréal | | | |
| Reconstituted municipalities | | | |
| Other | | | |
| Government organizations | | | |
| Agence métropolitaine de transport | | | |
| Other | | | |
| Other organizations | | | |
| **Other items** | | | |
| Doubtful accounts or bad debts | | | |
| Other | 726 | 3,754 | 4,138 |
| | 1,432,848 | 1,076,229 | 770,031 |

## Notes and Schedules to the Consolidated Financial Statements (continued)
At at December 31, 2008

### SCHEDULE 5 – CONSOLIDATED NET TOTAL LONG-TERM DEBT

*(in thousands of dollars)*

| | Note | 2008 | 2007 |
|---|---|---|---|
| **Long-term debt** | 11 | 7,638,384 | 7,600,313 |
| ***Add*** | | | |
| Long-term unfunded operating expenditures | | 82,338 | 88,981 |
| Long-term unfunded capital expenditures | | 329,001 | 151,950 |
| Other | | | |
| Purchase of land | | 11,135 | 4,389 |
| Government receivables | | 10,690 | 7,665 |
| Debt in refinancing | | 10,531 | 25,395 |
| ***Deduct*** | | | |
| Receivables amount dedicated to repayment | | 1,578,594 | 1,682,725 |
| Amount accumulated for repayment | | 1,256,016 | 1,221,604 |
| Amount recoverable through user fees | | 262,967 | 236,248 |
| **Net total long-term debt** | | 4,984,502 | 4,738,116 |

## Segment Disclosures
As at December 31, 2008

**SCHEDULE 6 – CONSOLIDATED FINANCIAL POSITION BY ORGANIZATION** *(in thousands of dollars)*

| | 2008 | | | | 2007 |
|---|---|---|---|---|---|
| | Municipal administration | Controlled organizations | Eliminations | Total | Total |
| **FINANCIAL ASSETS** | | | | | |
| Cash and temporary investments | 723,404 | 24,018 | | **747,422** | 715,591 |
| Investments | 1,113,084 | 155,334 | | **1,268,418** | 1,236,229 |
| Accounts receivable | 1,807,645 | 757,768 | (14,612) | **2,550,801** | 2,473,716 |
| Assets held for sale | 5,120 | | | **5,120** | 4,780 |
| Loans | 3,045 | 42,125 | | **45,170** | 30,314 |
| | 3,652,298 | 979,245 | (14,612) | **4,616,931** | 4,460,630 |
| **NON-FINANCIAL ASSETS** | | | | | |
| Capital assets | 6,173,549 | 1,903,938 | | **8,077,487** | 7,540,452 |
| Assets held for sale | 89,087 | 21,241 | | **110,328** | 87,494 |
| Inventories | 26,720 | 33,189 | | **59,909** | 51,637 |
| Other non-financial assets | 53,589 | 5,457 | (6,828) | **52,218** | 46,316 |
| | 6,342,945 | 1,963,825 | (6,828) | **8,299,942** | 7,725,899 |
| | 9,995,243 | 2,943,070 | (21,440) | **12,916,873** | 12,186,529 |
| **LIABILITIES** | | | | | |
| Temporary loans | | 318,154 | | **318,154** | 113,140 |
| Accounts payable, provisions and accrued liabilities | 1,192,740 | 227,595 | (14,612) | **1,405,723** | 1,248,183 |
| Deferred revenues | 136,044 | 2,525 | | **138,569** | 142,254 |
| Long-term debt | 6,556,132 | 1,089,080 | (6,828) | **7,638,384** | 7,600,313 |
| Employee future benefits liability | 310,803 | 109,859 | | **420,662** | 288,039 |
| | 8,195,719 | 1,747,213 | (21,440) | **9,921,492** | 9,391,929 |
| **TAXPAYERS' EQUITY** | | | | | |
| Fund balances | | | | | |
| Unrestricted surplus | 82,911 | (16,813) | | **66,098** | 93,629 |
| Restricted surplus | 227,044 | 10,198 | | **237,242** | 256,870 |
| Financial reserves and reserved funds | (172,858) | (33,539) | | **(206,397)** | (62,068) |
| Amount to be funded in the future | (1,451,143) | (142,714) | | **(1,593,857)** | (1,621,077) |
| | (1,314,046) | (182,868) | | **(1,496,914)** | (1,332,646) |
| Net investment in capital assets | 3,113,570 | 1,378,725 | | **4,492,295** | 4,127,246 |
| | 1,799,524 | 1,195,857 | | **2,995,381** | 2,794,600 |
| | 9,995,243 | 2,943,070 | (21,440) | **12,916,873** | 12,186,529 |

## Segment Disclosures (continued)
Year ended December 31, 2008

**SCHEDULE 7 – CONSOLIDATED OPERATING FINANCIAL ACTIVITIES BY ORGANIZATION** *(in thousands of dollars)*

| | 2008 | | | | 2007 |
|---|---|---|---|---|---|
| | Municipal administration | Controlled organizations | Eliminations | Total | Total |
| **Revenues** | | | | | |
| Taxes | 2,687,261 | | (11,189) | **2,676,072** | 2,597,439 |
| Payments in lieu of taxes | 226,028 | | | **226,028** | 242,893 |
| Transfers | 293,236 | 74,829 | | **368,065** | 391,631 |
| Services rendered | 272,617 | 541,913 | (23,528) | **791,002** | 702,520 |
| Fee assessments | 128,609 | | | **128,609** | 132,202 |
| Fines and penalties | 158,632 | | | **158,632** | 155,708 |
| Interest | 118,992 | 6,023 | | **125,015** | 137,459 |
| Other revenues | 76,935 | 431,476 | (346,005) | **162,406** | 159,894 |
| | 3,962,310 | 1,054,241 | (380,722) | **4,635,829** | 4,519,746 |
| **Operating expenditures** | | | | | |
| General administration | 471,097 | | (7,210) | **463,887** | 454,706 |
| Public safety | 879,946 | | | **879,946** | 830,115 |
| Transportation | 787,294 | 836,511 | (340,907) | **1,282,898** | 1,139,545 |
| Environmental health | 361,950 | | (768) | **361,182** | 342,084 |
| Health and welfare | 91,975 | 40,141 | (9,738) | **122,378** | 148,613 |
| Urban planning and development | 151,175 | 7,877 | (10,462) | **148,590** | 160,033 |
| Recreation and culture | 440,029 | 24,902 | (22,054) | **442,877** | 425,398 |
| Financing expenses | 392,663 | 63,327 | | **455,990** | 427,837 |
| | 3,576,129 | 972,758 | (391,139) | **4,157,748** | 3,928,331 |
| **Surplus for the year** | 386,181 | 81,483 | 10,417 | **478,081** | 591,415 |
| **Financing** | | | | | |
| Repayment of long-term debt | (319,647) | (81,895) | | **(401,542)** | (378,279) |
| **Appropriations** | | | | | |
| Capital asset financial activities | (12,431) | (6,187) | (10,417) | **(29,035)** | (87,662) |
| Unrestricted surplus | | | | | (13,403) |
| Restricted surplus | 131,780 | 1,745 | | **133,525** | 81,133 |
| Financial reserves and reserved funds | (62,181) | (1,377) | | **(63,558)** | (43,919) |
| Amount to be funded in the future | (35,734) | 8,514 | | **(27,220)** | (56,717) |
| | 21,434 | 2,695 | (10,417) | **13,712** | (120,568) |
| **Change in fund balances from the year's operating financialactivities** | 87,968 | 2,283 | | **90,251** | 92,568 |

## Segment Disclosures (continued)
Year ended December 31, 2008

**SCHEDULE 8 – CONSOLIDATED CAPITAL ASSET FINANCIAL ACTIVITIES BY ORGANIZATION** *(in thousands of dollars)*

| | 2008 | | | | 2007 |
|---|---|---|---|---|---|
| | Municipal administration | Controlled organizations | Eliminations | Total | Total |
| **Revenues** | | | | | |
| Transfers | 66,474 | 192,973 | | **259,447** | 389,172 |
| Other revenues | | | | | |
| Developers' contributions | 7,345 | | | **7,345** | 12,519 |
| Other | 1,387 | 10,515 | (10,417) | **1,485** | 3,909 |
| | 75,206 | 203,488 | (10,417) | **268,277** | 405,600 |
| **Capital expenditures** | | | | | |
| General administration | 53,191 | | | **53,191** | 50,207 |
| Public safety | 37,507 | | | **37,507** | 35,570 |
| Transportation | 292,287 | 313,337 | | **605,624** | 431,547 |
| Environmental health | 166,145 | | | **166,145** | 115,907 |
| Health and welfare | 3,879 | 2,825 | | **6,704** | 3,588 |
| Urban planning and development | 88,572 | 54 | | **88,626** | 54,603 |
| Recreation and culture | 117,963 | 469 | | **118,432** | 78,609 |
| | 759,544 | 316,685 | | **1,076,229** | 770,031 |
| **Deficit for the year** | (684,338) | (113,197) | (10,417) | **(807,952)** | (364,431) |
| **Financing** | | | | | |
| Long-term financing of capital asset financial activities | 567,145 | | | **567,145** | 554,191 |
| **Appropriations** | | | | | |
| Operating financial activities | 12,431 | 6,187 | 10,417 | **29,035** | 87,662 |
| Unrestricted surplus | | | | | (118) |
| Restricted surplus | 4,181 | | | **4,181** | 4,488 |
| Financial reserves and reserved funds | 29,467 | | | **29,467** | 28,574 |
| | 46,079 | 6,187 | 10,417 | **62,683** | 120,606 |
| **Change in fund balances from the year's capital asset financial activities** | (71,114) | (107,010) | | **(178,124)** | 310,366 |

## Segment Disclosures (continued)
Year ended December 31, 2008

### SCHEDULE 9 – CONSOLIDATED EXPENDITURES BY ITEM AND BY ORGANIZATION

| | 2008 | |
|---|---|---|
| | Municipal administration | |
| | Operating expenditures | Capital expenditures |
| **Salaries** | | |
| Elected officials | 9,755 | |
| Employees | 1,368,139 | 22,322 |
| **Employer contributions** | | |
| Elected officials | 4,149 | |
| Employees | 433,352 | 5,847 |
| **Transportation and communication** | 41,828 | 155 |
| **Professional, technical and other services** | | |
| Professional fees | 55,908 | 69,855 |
| Purchase of technical services | 272,203 | 6,268 |
| Other | 3,600 | |
| **Rental, maintenance and repairs** | | |
| Rental | 97,539 | 25 |
| Maintenance and repairs | 62,803 | |
| **Durable goods** | | |
| Construction | 9,760 | 561,600 |
| Other durable goods | 4,842 | 92,543 |
| **Non-durable goods** | | |
| Delivery of public services | 84,023 | |
| Other non-durable goods | 143,296 | |
| **Financing expenses** | | |
| Interest and other charges on long-term debt borne by: | | |
| Municipality | 264,154 | |
| Government of Québec and its enterprises | 98,422 | |
| Other third parties | 26,491 | |
| Other financing expenses | 3,596 | |
| **Contributions to organizations** | | |
| Municipal organizations | | |
| Société de transport de Montréal | 334,117 | |
| Communauté métropolitaine de Montréal | 26,554 | |
| Reconstituted municipalities | 14,218 | |
| Other | 24,714 | |
| Government organizations | | |
| Agence métropolitaine de transport | 36,011 | |
| Other | 10,395 | |
| Other organizations | 84,743 | |
| **Other items** | | |
| Doubtful accounts or bad debts | (15,808) | |
| Other | 77,325 | 929 |
| | 3,576,129 | 759,544 |

## Segment Disclosures (continued)
Year ended December 31, 2008

*(in thousands of dollars)*

| 2008 | | | | 2007 |
|---|---|---|---|---|
| Controlled organizations | | | | |
| Operating expenditures | Capital expenditures | Eliminations | Total | Total |
| 288 | | | 10,043 | 8,964 |
| 506,016 | 22,763 | | 1,919,240 | 1,874,790 |
| 21 | | | 4,170 | 3,029 |
| 130,976 | | | 570,175 | 473,900 |
| 81,046 | 5,896 | | 128,925 | 109,674 |
| 16,244 | 727 | | 142,734 | 113,390 |
| 25,997 | 47,908 | | 352,376 | 269,849 |
| 211 | | | 3,811 | 16,492 |
| 10,403 | | (18,185) | 89,782 | 81,633 |
| 21,428 | | | 84,231 | 86,658 |
| 4,723 | 54 | | 576,137 | 399,654 |
| 522 | 236,043 | | 333,950 | 232,289 |
| 35,454 | | (4,658) | 114,819 | 109,395 |
| 58,060 | 469 | | 201,825 | 188,578 |
| 19,969 | | | 284,123 | 253,154 |
| 25,804 | | | 124,226 | 99,996 |
| 12,107 | | | 38,598 | 63,557 |
| 5,447 | | | 9,043 | 11,130 |
| | | (334,117) | | |
| | | | 26,554 | 26,491 |
| | | | 14,218 | 14,295 |
| | | (24,570) | 144 | 139 |
| | | | 36,011 | 33,395 |
| | | | 10,395 | 8,667 |
| 9,471 | | (3,078) | 91,136 | 95,033 |
| 581 | | | (15,227) | 14,817 |
| 7,990 | 2,825 | (6,531) | 82,538 | 109,393 |
| 972,758 | 316,685 | (391,139) | 5,233,977 | 4,698,362 |

## Segment Disclosures (continued)
Year ended December 31, 2008

SCHEDULE 10 – MUNICIPAL ADMINISTRATION – NON-CONSOLIDATED OPERATING FINANCIAL ACTIVITIES BY RESPONSIBILITY

| | 2008 | |
|---|---|---|
| | Local responsibilities | |
| | Budget | Actual |
| **Revenues** | | |
| Taxes | 1,024,121 | 1,035,669 |
| Payments in lieu of taxes | 100,565 | 91,274 |
| Transfers | 194,648 | 227,434 |
| Services rendered | 258,383 | 242,023 |
| Fee collection | 102,641 | 126,726 |
| Fines and penalties | 115,191 | 82,177 |
| Interest | 90,389 | 86,916 |
| Other revenues | 48,600 | 59,622 |
| | 1,934,538 | 1,951,841 |
| **Operating expenditures** | | |
| General administration | 382,941 | 317,707 |
| Public safety | 13,186 | 14,908 |
| Transportation | 232,897 | 316,885 |
| Environmental health | 155,291 | 145,899 |
| Health and welfare | 72,274 | 59,891 |
| Urban planning and development | 124,805 | 107,407 |
| Recreation and culture | 352,790 | 365,287 |
| Financing expenses | 340,590 | 322,146 |
| | 1,674,774 | 1,650,130 |
| **Surplus for the year** | 259,764 | 301,711 |
| **Financing** | | |
| Repayment of long-term debt | (244,605) | (216,382) |
| **Appropriations** | | |
| Capital asset financial activities | (5,106) | (6,155) |
| Unrestricted surplus | | |
| Restricted surplus | 25,423 | 96,761 |
| Financial reserves and reserved funds | | (10,857) |
| Amount to be funded in the future | (35,476) | (50,018) |
| | (15,159) | 29,731 |
| **Change in fund balances from the year's operating financial activities** | | 115,060 |

## Segment Disclosures (continued)

Year ended December 31, 2008

*(in thousands of dollars)*

| 2008 | | | | | | 2007 |
|---|---|---|---|---|---|---|
| Urban agglomeration responsibilities | | Eliminations | | Total | | Total |
| Budget | Actual | Budget | Actual | Budget | Actual | Actual |
| 1,635,312 | 1,651,592 | | | 2,659,433 | 2,687,261 | 2,606,529 |
| 141,405 | 134,754 | | | 241,970 | 226,028 | 242,893 |
| 71,300 | 65,802 | | | 265,948 | 293,236 | 336,231 |
| 66,457 | 67,694 | (37,798) | (37,100) | 287,042 | 272,617 | 216,846 |
| 1,891 | 1,883 | | | 104,532 | 128,609 | 132,202 |
| 87,648 | 76,455 | | | 202,839 | 158,632 | 155,708 |
| 33,392 | 32,076 | | | 123,781 | 118,992 | 130,913 |
| 19,018 | 17,313 | | | 67,618 | 76,935 | 76,397 |
| 2,056,423 | 2,047,569 | (37,798) | (37,100) | 3,953,163 | 3,962,310 | 3,897,719 |
| 214,373 | 188,544 | (34,905) | (35,154) | 562,409 | 471,097 | 461,915 |
| 841,684 | 865,096 | | (58) | 854,870 | 879,946 | 830,115 |
| 452,871 | 470,862 | | (453) | 685,768 | 787,294 | 689,866 |
| 245,402 | 217,408 | (2,852) | (1,357) | 397,841 | 361,950 | 342,084 |
| 35,238 | 32,084 | | | 107,512 | 91,975 | 118,726 |
| 49,470 | 43,846 | (41) | (78) | 174,234 | 151,175 | 162,152 |
| 72,615 | 74,742 | | | 425,405 | 440,029 | 421,992 |
| 75,194 | 70,517 | | | 415,784 | 392,663 | 364,257 |
| 1,986,847 | 1,963,099 | (37,798) | (37,100) | 3,623,823 | 3,576,129 | 3,391,107 |
| 69,576 | 84,470 | | | 329,340 | 386,181 | 506,612 |
| (100,099) | (103,265) | | | (344,704) | (319,647) | (326,170) |
| (17,311) | (6,276) | | | (22,417) | (12,431) | (67,377) |
| 25,927 | 35,019 | | | 51,350 | 131,780 | 81,133 |
| | (51,324) | | | | (62,181) | (42,627) |
| 21,907 | 14,284 | | | (13,569) | (35,734) | (58,644) |
| 30,523 | (8,297) | | | 15,364 | 21,434 | (87,515) |
| | (27,092) | | | | 87,968 | 92,927 |

## Segment Disclosures (continued)
Year ended December 31, 2008

SCHEDULE 11 – MUNICIPAL ADMINISTRATION – NON-CONSOLIDATED CAPITAL ASSET FINANCIAL ACTIVITIES BY RESPONSIBILITY

| | 2008 | |
|---|---|---|
| | Local responsibilities | |
| | Budget | Actual |
| **Revenues** | | |
| Transfers | 101,492 | 51,529 |
| Other revenues | | |
| Developers' contributions | 5,630 | 7,061 |
| Other | | 270 |
| | 107,122 | 58,860 |
| **Capital expenditures** | | |
| General administration | 37,468 | 27,860 |
| Public safety | | 322 |
| Transportation | 129,220 | 136,367 |
| Environmental health | 104,588 | 69,553 |
| Health and welfare | | 149 |
| Urban planning and development | 67,074 | 56,440 |
| Recreation and culture | 83,998 | 68,153 |
| | 422,348 | 358,844 |
| **Deficit for the year** | (315,226) | (299,984) |
| **Financing** | | |
| Long-term financing of capital asset financial activities | 282,648 | 259,411 |
| **Appropriations** | | |
| Operating financial activities | 5,106 | 5,155 |
| Unrestricted surplus | | |
| Restricted surplus | 25,423 | 4,253 |
| Financial reserves and reserved funds | 2,049 | 2,466 |
| | 32,578 | 12,874 |
| **Change in fund balances from the year's capital asset financial activities** | | (27,699) |

## Segment Disclosures (continued)
Year ended December 31, 2008

*(in thousands of dollars)*

| 2008 | | | | 2007 |
|---|---|---|---|---|
| Urban agglomeration responsibilities | | Total | | Total |
| Budget | Actual | Budget | Actual | Actual |
| 77,692 | 14,945 | 179,184 | 66,474 | 46,981 |
| 1,001 | 284 | 6,631 | 7,345 | 12,519 |
| | 1,117 | | 1,387 | 3,802 |
| 78,693 | 16,346 | 185,815 | 75,206 | 63,302 |
| 32,050 | 25,331 | 69,518 | 53,191 | 50,207 |
| 33,846 | 37,185 | 33,846 | 37,507 | 35,570 |
| 247,847 | 155,920 | 377,067 | 292,287 | 211,598 |
| 147,197 | 96,592 | 251,785 | 166,145 | 115,907 |
| | 3,730 | | 3,879 | 311 |
| 24,606 | 32,132 | 91,680 | 88,572 | 54,603 |
| 77,643 | 49,810 | 161,641 | 117,963 | 78,307 |
| 563,189 | 400,700 | 985,537 | 759,544 | 546,503 |
| (484,496) | (384,354) | (799,722) | (684,338) | (483,201) |
| 401,733 | 307,734 | 684,381 | 567,145 | 450,418 |
| 17,311 | 6,276 | 22,417 | 12,431 | 67,377 |
| | | | | (118) |
| 25,927 | (72) | 51,350 | 4,181 | 4,488 |
| 39,525 | 27,001 | 41,574 | 29,467 | 26,032 |
| 82,763 | 33,205 | 115,341 | 46,079 | 97,779 |
| | (43,415) | | (71,114) | 64,996 |

## Water Management
Year ended December 31, 2008

### SCHEDULE 12 - CONSOLIDATED OPERATING FINANCIAL ACTIVITIES RELATED TO WATER MANAGEMENT

| | 2008 | |
|---|---|---|
| | Local responsibilities | |
| | Budget | Actual |
| **Revenues** | | |
| Taxes allocated to improve water service | 45,000 | 46,569 |
| Other revenues from local sources | 1,961 | 913 |
| Transfers | | |
| User fees — drinking water — reconstituted municipalities | | |
| Amount from property and rental taxes and other revenues | 61,182 | 61,182 |
| | 108,143 | 108,664 |
| **Expenditures** | | |
| Operating expenditures | 62,457 | 55,744 |
| **Surplus for the year** | 45,686 | 52,920 |
| **Financing** | | |
| Repayment of long-term debt (1) | 45,686 | 45,686 |
| **Appropriations** | | |
| Capital asset financial activities | | (321) |
| Restricted surplus | | |
| Financial reserves — Water management | | |
| | | (321) |
| **Change in fund balances from the year's operating financial activities** | | 6,913 |

(1) For the purposes of this schedule, the repayment of long-term debt includes the financing expenses.

(2) Interjurisdictional transactions have been eliminated.

## Water Management (continued)

Year ended December 31, 2008

*(in thousands of dollars)*

| 2008 | | | | | | 2007 |
|---|---|---|---|---|---|---|
| Urban agglomeration responsibilities | | Eliminations (2) | | Total | | Total |
| Budget | Actual | Budget | Actual | Budget | Actual | Actual |
| 60,000 | 62,451 | | | 105,000 | 109,020 | 89,215 |
| 394 | 510 | | | 2,355 | 1,423 | 1,153 |
| | 698 | | | | 698 | 1,305 |
| 3,987 | 4,221 | | | 3,987 | 4,221 | 3,989 |
| 149,789 | 149,789 | | | 210,971 | 210,971 | 206,484 |
| 214,170 | 217,669 | | | 322,313 | 326,333 | 302,146 |
| 159,584 | 132,074 | | (62) | 222,041 | 187,756 | 183,108 |
| 54,586 | 85,595 | | 62 | 100,272 | 138,577 | 119,038 |
| 45,526 | 45,526 | | | 91,212 | 91,212 | 89,583 |
| | (1,683) | | | | (2,004) | (1,255) |
| | 747 | | | | 747 | 4,819 |
| (9,060) | | | | (9,060) | | |
| (9,060) | (936) | | | (9,060) | (1,257) | 3,564 |
| | 39,133 | | 62 | | 46,108 | 33,019 |

**Water Management**
Year ended December 31, 2008

## SCHEDULE 13 - CONSOLIDATED CAPITAL ASSET FINANCIAL ACTIVITIES RELATED TO WATER MANAGEMENT

| | 2008 | |
|---|---|---|
| | Local responsibilities | |
| | Budget | Actual |
| **Revenues** | | |
| Transfers | 66,700 | 44,243 |
| Other revenues | | 13 |
| | 66,700 | 44,256 |
| **Capital expenditures** | | |
| Environmental health | | |
| Aqueduct and sewage system | 81,765 | 59,232 |
| Purification and treatment of drinking water | | |
| Wastewater treatment plant and facilities | | |
| Other classes of assets | | 26 |
| | 81,765 | 59,258 |
| **Deficit for the year** | (15,065) | (15,002) |
| **Financing** | | |
| Long-term financing of capital asset financial activities | 12,565 | 15,044 |
| **Appropriations** | | |
| Operating financial activities | | 321 |
| Restricted surplus | | (15) |
| Financial reserve - water management | 2,500 | 33 |
| | 2,500 | 339 |
| **Change in fund balances from the year's capital asset financial activities** | | 381 |

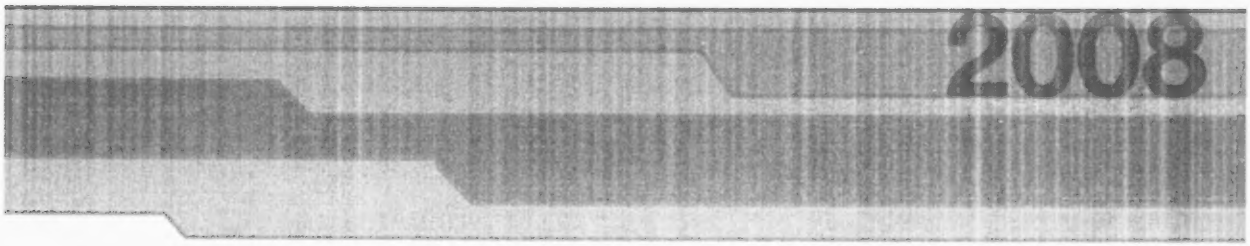
## Water Management

Year ended December 31, 2008

(in thousands of dollars)

| 2008 | | | | 2007 |
|---|---|---|---|---|
| Urban agglomeration responsibilities | | Total | | Total |
| Budget | Actual | Budget | Actual | Actual |
| 15,208 | 4,185 | 81,908 | 48,428 | 38,388 |
| | | | 13 | |
| 15,208 | 4,185 | 81,908 | 48,441 | 38,388 |
| 54,831 | 46,007 | 136,596 | 105,239 | 58,918 |
| 60,486 | 34,237 | 60,486 | 34,237 | 11,638 |
| 14,500 | 8,974 | 14,500 | 8,974 | 12,762 |
| 8,752 | 3,283 | 8,752 | 3,309 | 2,359 |
| 138,569 | 92,501 | 220,334 | 151,759 | 85,677 |
| (123,361) | (88,316) | (138,426) | (103,318) | (47,289) |
| 92,011 | 109,162 | 104,576 | 124,206 | 25,026 |
| 9,060 | 1,683 | 9,060 | 2,004 | 1,255 |
| | | | (15) | (26) |
| 22,290 | 22,225 | 24,790 | 22,258 | 10,609 |
| 31,350 | 23,908 | 33,850 | 24,247 | 11,838 |
| | 44,754 | | 45,135 | (10,425) |

# Annual Financial Report



# Non-Consolidated Financial Information

# 2008

## Municipal Administration Breakdown of Mixed Expenditures

Montréal

**Bureau du vérificateur général**
1550, rue Metcalfe
Bureau 1201
Montréal (Québec) H3A 3P1

## REPORT OF THE GENERAL AUDITOR OF MONTRÉAL ON THE BREAKDOWN OF MIXED EXPENDITURES

To the Mayor,
the Chairman and the Members of the Executive Committee,
the Members of the Council of the Ville de Montréal,
the Members of the Montréal Agglomeration Council

Under Section 70 of *An Act respecting the exercise of certain municipal powers in certain urban agglomerations*, I have audited the Breakdown of mixed Expenditures Schedule for the municipal administration between local and agglomeration responsibilities, for the year ended December 31, 2008. This breakdown is determined in accordance with the criteria and calculation method defined in by-law RCG06-054 adopted by the Agglomeration Council on December 13, 2006. This financial information is the responsibility of the City's management. My responsibility is to express an opinion on this financial information based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial information presentation.

In my opinion, this schedule presents fairly, in all material respects, the breakdown of mixed expenditures for the municipal administration between local and agglomeration responsibilities for the year ended December 31, 2008 in accordance with the criteria and calculation method defined in the by-law adopted by the Agglomeration Council.

General Auditor of Montréal,

Michel Doyon, CA auditor

Montréal, March 18, 2009

## Municipal Administration - Breakdown of Mixed Expenditures Schedule
Year ended December 31, 2008

*(in thousands of dollars)*

| | 2008 | |
|---|---|---|
| | Local responsibilities | |
| | Budget | Actual |
| **Operating Expenditures** | | |
| General administration | 83,254 | **93,488** |
| Public safety | 2,029 | **1,759** |
| Transportation | 1,152 | **1,288** |
| Environmental health | 6,339 | **5,450** |
| Health and welfare | 2,092 | **2,368** |
| Urban planning and development | 29,129 | **26,773** |
| Recreation and culture | 6,323 | **7,214** |
| Financing expenses | | |
| | 130,318 | **138,340** |
| **Appropriations** | | |
| Capital asset financial activities | | |
| **Total operating expenditures and appropriations** | 130,318 | **138,340** |

## Municipal Administration - Breakdown of Mixed Expenditures Schedule (continued)

Year ended December 31, 2008

| 2008 | | | | | | 2007 |
|---|---|---|---|---|---|---|
| Urban agglomeration responsibilities | | Eliminations | | Total | | |
| Budget | Actual | Budget | Actual | Budget | Actual | Actual |
| 107,636 | 109,246 | 11,777 | 12,450 | 202,667 | 215,184 | 199,334 |
| | | | | 2,029 | 1,759 | 1,744 |
| 1,871 | 1,950 | | | 3,023 | 3,238 | 3,819 |
| 5,387 | 4,507 | (110) | (1) | 11,616 | 9,956 | 10,098 |
| 4,181 | 4,300 | | | 6,273 | 6,668 | 7,261 |
| 13,057 | 12,407 | | | 42,186 | 39,180 | 40,170 |
| 6,130 | 6,286 | | | 12,453 | 13,500 | 14,364 |
| | | | | | | 3 |
| 138,262 | 138,696 | 11,667 | 12,449 | 280,247 | 289,485 | 276,793 |
| | | | | | | 303 |
| 138,262 | 138,696 | 11,667 | 12,449 | 280,247 | 289,485 | 277,096 |

# Municipal Administration – Breakdown of Mixed Expenditures – Notes to the Consolidated Financial Statements
December 31, 2008

## 1- MIXED EXPENDITURES

An *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (R.S.Q., chapter E-20.001), completed by the *Montréal Agglomeration Order (*Order-in-Council No. 1229-2005) and the orders that amended it thereafter, lists and defines the powers of the agglomeration. Under this act, expenditures incurred in carrying out an act that falls within the exercise of an agglomeration power and, at the same time, another power, are considered mixed expenditures; these mixed expenditures are subject to a by-law of the agglomeration council that sets out criteria for establishing which portion of the mixed expenditure is an expenditure related to the exercise of an agglomeration power.

## 2- BREAKDOWN OF MIXED EXPENDITURES

The mixed expenditures of the municipal administration are broken down between local and agglomeration powers in accordance with the criteria and calculation method defined in by-law RCG06-054 adopted by the agglomeration council on December 13, 2006 and effective January 1, 2007.

Therefore, the portion of a mixed expenditure related to transportation, environmental health, health and welfare, urban planning and development, as well as recreation and culture, which constitutes an expenditure incurred in exercising an agglomeration power, is determined using factual quantitative data or a quantitative measure of the human or financial resources allocated to the expenditure.

Also, the portion of a mixed expenditure that is a general administrative expenditure incurred by any support unit in the exercise of an agglomeration power is determined using an administrative expenditure rate applied to the agglomeration expenditures, excluding debt service expenditures, contribution expenditures and contingent expenditures. Under the by-law in 2008, the administrative expenditure rate was 7.72%.

The actual mixed expenditures are distributed based on the rates used to develop the City's 2008 Budget.

## 3- SIGNIFICANT ACCOUNTING POLICIES

The Breakdown of Mixed Expenditures Schedule for the municipal administration is prepared in accordance with generally accepted accounting principles applicable to local governments recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants using the same accounting policies as those described in Note 2 to the consolidated financial statements of Ville de Montréal for the year ended December 31, 2008.

**Published by the Ville de Montréal**
**Service des finances**
**Direction de la comptabilité**
**et du contrôle financier**

155, rue Notre-Dame Est
Montréal (Québec)
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**ville.montreal.qc.ca**/finances

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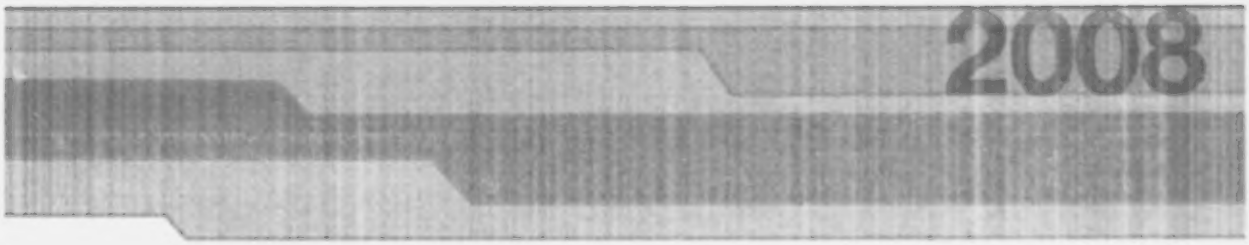
# Annual Financial Report



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